



2010 | 2011
ANNUAL REPORT

NEW BRUNSWICK SECURITIES COMMISSION

| SOUND INVESTING, CONFIDENT MARKETS |

NEW BRUNSWICK
SECURITIES COMMISSION

COMMISSION DES
VALEURS MOBILIÈRES
DU NOUVEAU-BRUNSWICK



TRANSMITTAL LETTER

The Honourable Marie-Claude Blais
Minister of Justice and Consumer Affairs
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 2010 to 31 March 2011 for submission to the Legislative Assembly of New Brunswick.

The Annual Report outlines the operational and business results of the Commission's focussed efforts to achieve its mandate: to provide protection to investors from unfair, improper or fraudulent practices; and to foster 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 2010-2011

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TABLE OF CONTENTS

1	CHAIR'S MESSAGE
2	CORPORATE PROFILE
3	EXECUTIVE DIRECTOR'S MESSAGE
4	A YEAR IN REVIEW
	REPORT ON OUR STRATEGIC IMPERATIVES
5	INFORMED INVESTORS THROUGH EDUCATION
8	RAISING AWARENESS - INVEST IN KNOWING MORE
9	BUILDING CONFIDENT AND INFORMED MARKETS
13	A BALANCING ACT - MAKING RULES
14	FOLLOWING THE RULES - COMPLIANCE
15	TAKING ACTION - ENFORCEMENT
18	STATISTICS AT A GLANCE
19	ORGANIZATIONAL CHART
20	GOVERNANCE AND ACCOUNTABILITY
26	COMMISSION MEMBERS
29	MANAGEMENT'S RESPONSIBILITY LETTER
29	AUDITOR GENERAL LETTER
30	MANAGEMENT DISCUSSION AND ANALYSIS
36	AUDITED FINANCIAL STATEMENTS
38	NOTES TO THE FINANCIAL STATEMENTS



Lise Noël, Manon Losier, Véronique Long

CHAIR'S MESSAGE



This past year has been one of constant challenge. Our Commission members' vision of a confident and dynamic investment environment for New Brunswick brought a renewed focus to investor protection and capital markets development.

Discussions around the federal government's initiative to establish a single national securities regulator gained prominence and the G20 countries continued to place significant demands on securities

regulators internationally in their response to the 2008 financial crisis. The G20 directives focussed on the areas of over-the-counter derivatives, securitized products, hedge funds, credit rating agencies and systemic risk.

Our ability to contribute to this international dialogue is enhanced by our membership in the North American Securities Administrators Association and the Council of Securities Regulators of the Americas, as well as by our membership in the Canadian Securities Administrators (CSA) organization which includes four members of the International Organization of Securities Commissions.

The CSA, an alliance of provincial and territorial securities regulators, provides Canada with an internationally respected regulatory structure which preserves provincial jurisdiction. The Courts of Appeal of Québec and Alberta have effectively agreed in their recent decisions that the federal government could not legislate in the securities area in the manner proposed by the federal government. The province of New Brunswick intervened in the federal reference to the Supreme Court of Canada (SCC) with Alberta, British Columbia, Manitoba, Québec and Saskatchewan in support of retaining provincial jurisdiction. The SCC heard the issue in April and the CSA is awaiting the decision.

Notwithstanding the recent court decisions, New Brunswick continues as a participating jurisdiction in discussing the establishment of a national securities regulatory framework with federal involvement. The province continues to have an open mind about improving securities regulation in Canada, mindful always of its obligation to act in the interests of its own investors and market participants.

The Commission continues as a participating regulator involved in discussions with the Canadian Securities Transition Office. Our efforts have focussed on developing a national securities regulatory framework that would preserve provincial interests while acknowledging the interest of the federal government. The increasingly global economic environment and the resulting international movement of capital are the principal catalysts that have renewed the interest of the federal government. The integration of capital markets reflected in Canada

by the proposed merger of the TMX Group and the London Stock Exchange is a consequence of this reality.

Securities regulation originated in the provinces with reason. The need for investor protection and the development of capital markets remain as key priorities. Although capital markets have evolved to be international in nature, the initial needs of New Brunswick have not diminished. Indeed the need to improve access to capital for New Brunswick businesses is even more important given the economic development needs of our province. As well, enhanced investor protection is necessary as a result of the increased sophistication of those perpetrating investment fraud.

Since the Commission's inception we have offered New Brunswickers access to our programs and services in both official languages. We now proactively encourage a work environment where Commission staff will be able to work and pursue their careers in their official language of choice. Commission members have endorsed this stated goal and, of more importance, our staff have embraced it.

Commission members approved a privacy policy in response to new provincial privacy and access to information legislation. This policy establishes the principles that members and staff must follow to protect the personal information that we collect or to which we have access.

Commission members have substantial responsibilities. In addition to making the rules which govern securities regulation, they also have board responsibilities to oversee the business of the Commission and quasi-judicial responsibilities with respect to the enforcement of securities law. I want to thank them for their commitment to our mandate, their work as members and their support of the work of our staff. Their efforts are very much appreciated.

I also want to thank our staff for their dedication and professionalism. Our work in the regulatory realm is specialized and demanding. The discussions around the national regulator have not diverted them from our focus. They have continued to improve securities regulation for New Brunswick and to actively participate with the CSA in meeting the G20 requirements for enhanced securities regulation.

Together, we continue to work to put New Brunswickers interests first as we endeavour to ensure sound investing and confident markets.

"Original signed by"

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

CORPORATE PROFILE

SOUND INVESTING, CONFIDENT MARKETS

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 securities 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 take action against those who violate securities laws. To prevent harm and deter further fraudulent or inappropriate activity, the Commission can impose sanctions, including financial penalties.

We focus our **education** efforts on informing investors about the investing process and how to recognize, avoid and report investment fraud.

We foster the development and growth of the **capital markets** to contribute to New Brunswick's economic well-being.

VISION

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

VALUES

Excellence - As a regulatory leader in New Brunswick we adhere to best practices and high standards.

Service - We provide proactive, efficient, timely and responsive services to our stakeholders.

Integrity - We are fair, ethical, transparent and accountable for all our actions.

Commitment to our people - To ensure excellence we invest in our staff by encouraging innovation and developing expertise, leadership and effective teamwork.

MANDATE

Our legislative mandate, as defined in section 2 of the *Securities Act*, is to:

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

STRATEGIC IMPERATIVES

To advance the interests of New Brunswick investors by:

- understanding the issues and challenges faced by these investors;
- recognizing that our existing core business must serve the interests of these investors;
- focussing educational campaigns on these investors' rights and responsibilities;
- maintaining an enforcement orientation responsive to these investors;
- advancing the interests of these investors in our work with our regulatory partners, such as the CSA; and
- engaging self-regulatory organizations and investment industry associations to ensure their accountability in serving these investors.

To support the development of New Brunswick capital markets by:

- continuing research and consultation on capital markets issues;
- recognizing that our existing core business must serve New Brunswick's issuers and markets;
- enhancing access to capital through education and capital markets infrastructure development;
- providing credible, knowledgeable advice on securities-related issues to policy makers and program developers; and
- advancing the interests of local issuers and capital markets participants.

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

- engaging more effectively with key stakeholders to further areas of mutual interest and opportunity;
- partnering with key stakeholders on initiatives that help advance our core business; and
- promoting and using the expertise of our staff and members.

EXECUTIVE DIRECTOR'S MESSAGE



Sound investing, confident markets. These two concepts are closely related and reflect what we are trying to achieve through the work we do. Our efforts in fulfilling our mandate provide the foundation for New Brunswickers to have the knowledge and confidence to invest in well-regulated markets.

Our dual mandate consisting of investor protection and capital markets development are inextricably linked. However, it requires us to

take a balanced approach to sometimes competing interests. Understanding the issues and challenges faced by local investors and capital markets participants is critical to ensuring our programs are relevant. The interests of these stakeholders are front of mind as we carry out our work.

We achieve our role by educating the public about investing and investment fraud; working with stakeholders to develop our capital markets; setting the rules and regulations for market participants; registering and monitoring those participants; and enforcing the rules when it appears that they have been violated. This report provides a broad overview of our initiatives. Here are some highlights of our accomplishments.

Education is a key foundational piece of our investor protection initiatives. In addition to our regular programs, we introduced a number of new programs this year. These included guidelines to help those working with seniors detect signs of potential investment fraud and financial exploitation. We launched an initiative to help unions recognize and avoid affinity fraud. As well, together with the Department of Social Development and other involved organizations, we undertook to shape a plan that would improve the state of financial literacy in the province.

Increasing awareness of investment fraud remains a fundamental objective of our *Invest in Knowing More* (IKM) campaign. In 2010-11, the IKM campaign promoted a call-to-action message. The campaign encouraged New Brunswickers to contact us if they think they have been approached with a suspicious investment offer. Post-campaign research confirms that investors are becoming more aware of the dangers of investment fraud and are more likely to report fraud as a result of the IKM campaign. Informed investors that are able to recognize, avoid and report investment fraud is the ultimate objective of this initiative.

The development of healthy and sound capital markets is an important part of our mandate. This past year we introduced a number of new access to capital sessions in our *Learning the Ropes* capital markets education series. We released the results of a study on New Brunswick's capital markets, including how the various components interact and how we can measure changes. We partnered with the New Brunswick Business Council on the Future NB economic summit. We led the Money Stream and worked with other participants to identify access to capital priorities.

The fallout from the recent financial crisis identified a number of areas requiring regulatory attention. We worked with our regulatory partners to develop common solutions to address issues such as systemic risk, regulation of credit rating agencies and over-the-counter derivatives.

The registration and oversight of those who are in the business of selling and trading in securities are integral to protecting New Brunswick investors. This past year, we undertook a review of registrants on the use of leveraging - the practice of borrowing money to invest. As well, we reviewed New Brunswick-based reporting issuers on their readiness to implement new International Financial Reporting Standards.

Illegal distributions, the solicitation or selling of securities without complying with securities legislation, accounted for approximately 25 per cent of our new cases in enforcement. Taking action quickly when inappropriate activity is suspected helps us reduce the devastating impacts of fraud. The reporting of fraudulent activity by the public is key to a successful enforcement intervention. Many of the tips we received in the last year enabled us to issue Investor Alerts and take action before any money was lost by investors to these schemes.

Once again, we hosted a White Collar Crime Symposium for law enforcement and other regulatory bodies. This session informed participants on the latest developments in the investigation and prosecution of white collar crime.

We take the responsibility of executing our mandate very seriously. I'd like to thank our staff for their outstanding commitment to the people of New Brunswick. We are fortunate in that we have a competent, experienced team of dedicated specialists in our organization. I am proud of the important work that they do to ensure that New Brunswickers have a confident and dynamic investment environment.

"Original signed by"

Kenrick G. Hancox
Executive Director

A YEAR IN REVIEW

INVESTOR EDUCATION

A contest and promotional efforts resulted in a 400 per cent increase in unique page views on our *Invest in Knowing More* website page during Investor Education Month.

We launched a new union outreach program called *United Against Investment Fraud* to raise awareness about affinity fraud.

A survey completed following the *Invest in Knowing More* fall 2010 campaign indicated that 41 per cent of respondents were aware that there is an agency responsible for regulating securities in New Brunswick, up from 30 per cent in October 2009.

CAPITAL MARKETS DEVELOPMENT

We held five *Learning the Ropes* capital markets educational sessions on the following topics: the offering memorandum exemption, going public, access to capital and alternative trading systems.

Making Headway, our capital markets development newsletter reporting on the successes and efforts within New Brunswick's capital markets, was published three times in 2010-11.

In response to increased demand from those looking for capital raising options, we developed new resources about the offering memorandum exemption including a PDF fillable form, a brochure and a section on our website.

ENFORCEMENT

We hosted the fourth annual White Collar Crime Symposium which included discussions about the latest developments in white collar crime, surveillance, investigation, prosecution and applicable law.

Our enforcement actions resulted in 12 orders imposing \$38,000 in financial penalties and \$3,000 for investigations and hearings costs.

Illegal distribution of securities accounted for 25 per cent of new enforcement files. These violations included unregistered trading, illegal solicitations and improper use of securities laws exemptions.

We added 11 companies or individuals to our Caution List and issued 14 news releases on enforcement-related matters including four Investor Alerts.

REGULATION AND COMPLIANCE

Phase 1 of the Point of Sale Disclosure Project for Mutual Funds was completed when amendments to National Instrument 81-101 *Mutual Fund Prospectus Disclosure* came into effect.

A report on a compliance sweep related to the use of leveraging was released. It revealed that suitability reviews, in some cases, were not consistent with a firm's own guidelines.

The Commission requested amendments to the *Securities Act* to put in place a framework for regulation of auditor oversight bodies and credit rating agencies.

STAKEHOLDER ENGAGEMENT

We worked with the Senior and Healthy Aging Secretariat to promote the new Pocket Guide on Elder Investment Fraud and Financial Exploitation, and the Financial Concerns Checklist.

We partnered with the Saint John Volunteer Centre to deliver the *ABCs of Fraud* program to 2035 New Brunswickers in English and in French.

Working with our stakeholders, we developed a model for a proposed sidecar fund which would provide a source of equity capital that invests in early stage ventures alongside other investors.

We released a study on the New Brunswick capital markets which elaborates on how the components of our capital markets work together to support the New Brunswick economy. Following its release, we solicited feedback from capital markets stakeholders.

Enforcement staff undertook initiatives to strengthen their relationship with the RCMP, the Insurance Branch, Canada Revenue Agency, the High Technology Crime Investigation Association and Crown prosecutors.

INFORMED INVESTORS THROUGH EDUCATION

Informed investors understand personal financial matters, make educated decisions about investing and know how to avoid fraud. Our targeted and relevant investor education programs aim to address the needs of New Brunswickers so that they can become better informed investors.

One of the best ways we can help protect investors is to ensure the information needed to make informed investment decisions is readily available. The [Canadian Securities Administrators 2009 Investor Index](#) helped us understand and address several important issues that New Brunswick investors identified, including:

- the need for reliable unbiased information about investing (84 per cent of respondents);
- the uncertainty of returns in the market (82 per cent of respondents); and
- knowing how to choose a financial adviser (78 per cent of respondents).

The study also indicated that 80 per cent of New Brunswickers believe it is the responsibility of the individual to acquire the skills needed to make sound investment decisions. Eighty-five per cent agreed that investors should never make decisions without doing independent research.

In 2010-11, we responded to the need for reliable, unbiased information about investing by creating new brochures and online content. We developed resources and investor education programs targeted at several key groups including youth, the elderly and those who care for them, investors with a basic knowledge about investing and New Brunswickers who belong to unions or professional associations.

ELDER INVESTMENT FRAUD AND FINANCIAL EXPLOITATION

Elder abuse can come in many forms – physical, emotional, financial, neglect or abandonment – and it should be a serious concern for New Brunswickers. Older victims of financial abuse including investment fraud, are especially at risk. If they lose all or part of their life savings they have less time to return to financial stability.

We developed a Pocket Guide on Elder Investment Fraud and Financial Exploitation and a Financial Concerns Checklist. These resources are for those who have contact with seniors, including professionals in the health care sector and seniors' residences, and their families. The brochures

outline how to recognize the red flags of financial abuse, what resources are available to help and how to report financial abuse or investment fraud. The new material was adapted from the Texas Consortium Geriatric Education Centre at Baylor College of Medicine.

In recognition of World Elder Abuse Awareness Day on 15 June, we partnered with the Senior and Healthy Aging Secretariat to promote the pocket guide and checklist. In addition to a joint news release, we sent 1395 elder investment fraud kits (559 English and 836 French) to seniors' residences throughout the province and members of l'Association acadienne et francophone des aînées et aînés du Nouveau-Brunswick.



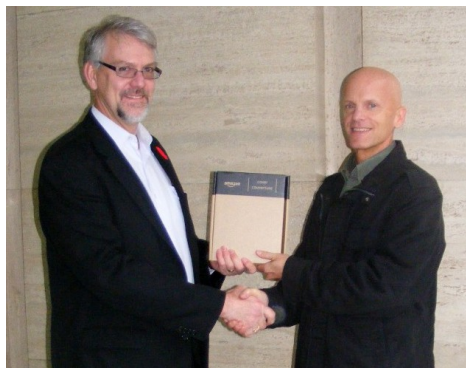
The effects of this initiative were immediately apparent when we received several related calls. A person working in the investment industry who read our materials called with a concern that a client's financial matters were not being handled by a family member in the client's best interest. Our enforcement staff followed up on this call. Another caller was concerned that a family member may be abusing power of attorney privileges on bank accounts of another family member. This matter was handled by the local police. These are examples of how a targeted initiative such as this can help protect vulnerable New Brunswickers.

INVESTOR EDUCATION MONTH

The objective for Investor Education Month in October 2010 was to encourage investors to visit the *Invest in Knowing More* page on our website for more information about informed investing. Our promotion included public service announcements, advertisements in daily and weekly newspapers, a media conference, and a news release.

INFORMED INVESTORS THROUGH EDUCATION

We also held an online contest. The contest centered on testing participants' knowledge by revealing a new trivia question on our website and to our Twitter followers each day. The trivia was based on new information posted on our website. Participants had to read the daily information post in order to find the answer. We awarded four participants with a copy of Gail Vaz-Oxlade's book *Debt Free Forever* and one with a Kindle e-book reader.



Rick Hancox and Robert Jackson of Fredericton, winner of the October 2010 Investor Education Month Contest

The contest and promotional efforts resulted in a 400 per cent increase in unique page views on our *Invest in Knowing More* website page. The total exposure of the contest and other media resulted in 16 print media stories based on the news release and media conference. These stories included five articles in provincial publications, one article in a national online publication, and four articles in French publications.

We developed a presentation specifically to help front-line staff at banks recognize situations and red flags that could suggest a customer may be a victim of investment fraud. We made these presentations during Investor Education Month. The information presented outlined possible verbal and physical cues to look for in a customer's behaviour. We also provided suggestions on what bank staff could do to protect the client and the bank if they suspected that a customer was being scammed.

FRAUD PREVENTION MONTH

Our focus for Fraud Prevention Month in March 2011 was on raising awareness of affinity fraud within associations and membership organizations. Affinity fraud occurs when a scam artist builds and exploits a relationship with influential members of a group to gain acceptance and identify victims for their investment scheme. Unions, professional associations, religious groups, social clubs and ethnic organizations are all susceptible.

We launched a new union outreach program called *United Against Investment Fraud*, adapted from a program offered by the North American Securities Administrators Association. The goal of the New Brunswick program was to reach out to the leadership of these organizations and partner with them to share information and tools that will help their members recognize, avoid and report investment scams, especially affinity fraud. This program was launched in March 2011. We will continue to promote this program throughout the next fiscal year.

New 2010 Brochures:

- [How to be an Informed Investor](#)
- [Borrowing to Invest](#)
- [Introduction to Mutual Funds](#)
- [Understanding Bonds](#)
- [Introduction to Shares](#)
- [Pocket Guide on Elder Investment Fraud and Financial Exploitation](#)
- [Financial Concerns Checklist](#)
- [What is Affinity Fraud?](#)
- [How to Spot a Scam Artist](#)
- [Check Before You Invest Worksheet](#)

FINANCIAL LITERACY TASK FORCE

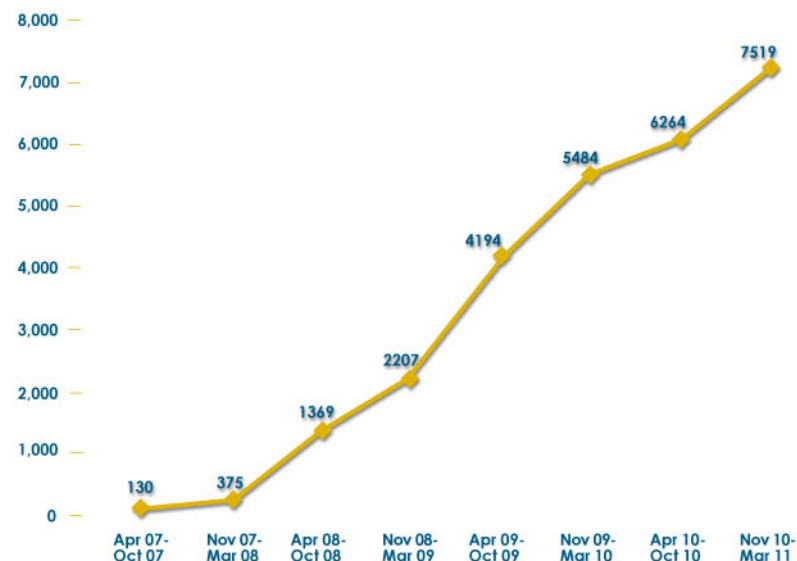
We co-sponsored a financial literacy working group brought together by the Department of Social Development in Fredericton in September 2010. Those in attendance represented approximately 15 organizations that have an interest in financial literacy. The group met for a second time in November 2010 for a brainstorming session to explore areas of common interest and to discuss how to work together to promote financial literacy in the province.

INFORMED INVESTORS THROUGH EDUCATION

ABCs OF FRAUD

For the fourth year, we partnered with the Saint John Volunteer Centre (SJVC) to deliver the *ABCs of Fraud* program. We provided the SJVC with \$41,495 to execute the program in both official languages throughout the province. A total of 2035 New Brunswickers participated in the program in 2010-11 (934 Anglophone, 1101 Francophone).

ABCs of Fraud Participants



“ You got us thinking about how careful we have to be. Well done. ”

ABCs of Fraud Participant

YOUTH

We developed a new series of presentations for youth based on the popularity of the [Make it Count: A parent's guide to youth money management](#) program launched last year. The youth money management series entitled *Making Money Make Sense*, includes three presentations each targeted to a different age group (elementary, middle and high school). The presentations provided an overview of the value of money, personal needs versus wants, budgets and saving, and goal setting to varying degrees of detail depending on the age.

We also developed a presentation on personal and business money management for entrepreneurship and business students at the high school level. This presentation introduced students to the red flags of fraud, types of businesses and equity capital. These interactive presentations were delivered in English and French to schools throughout the province.

We continued to promote the [CSA Financial Fitness Challenge](#) in February 2011. The Challenge is aimed at getting youth thinking about budgeting, saving and investing. The Challenge reaches youth through its interactive online website and social media presence including its popular Facebook page. In addition, the teacher's resource guide provides tools and activities to incorporate into classroom learning.

For the 2011 edition of the program, a new YouTube page was created to add to the social media mix. The page included new videos on budgeting, investing, fraud awareness and credit cards. When the contest ended on 15 April 2011, one lucky participant from each province won an iPad and one scholarship of \$2,000 was awarded from all eligible entries. There were 279 New Brunswick entries and 7572 overall participants.



RAISING AWARENESS - INVEST IN KNOWING MORE

One of the ways we aim to protect investors is by raising awareness of investment fraud to increase reporting of suspected fraudulent investment offerings. We rely on New Brunswickers reporting suspicious investment activity to us so we can take appropriate action. We raise awareness through our [Invest in Knowing More](#) (IKM) advertising campaign.

Our previous IKM campaigns focussed on educating the public about Internet, telephone and boiler room investment fraud. The campaigns highlighted the reality that fraud happens here in New Brunswick and educated New Brunswickers about the red flags of fraud. In 2010-11, the campaign evolved into a call-to-action message. The new campaign encouraged New Brunswickers to contact us if they suspected they were approached with a fraudulent investment offer.

A survey, completed after last year's IKM campaign, revealed that almost three quarters (71 per cent) of respondents indicated that they would be more likely to report a suspicious telephone call or email to the authorities as a result of seeing or hearing our advertisement. However, the survey also suggested that many respondents did not recognize the New Brunswick Securities Commission as the place to report securities-related scams. When asked where they would likely report a suspicious call or email, the most common response was law enforcement agencies.

Armed with this information, our creative team turned their attention to developing a new campaign that was more memorable and resonated with the viewer. The goal of the campaign was to improve awareness that we are the place to report suspicious investment activity.



Knock Out Investment Fraud television commercial
2010-11 *Invest in Knowing More* advertising campaign

Although the campaign has a witty perspective, the message was developed to get attention and compel New Brunswickers to take action. The 2010-11 campaign not only included the development and production of a new television commercial, but also new print and internet advertisements reinforcing our new theme. The campaign ran in both official languages.

The objective of the campaign was to increase awareness of the New Brunswick Securities Commission as the place to report from the baseline 24 per cent established in 2008 to the national average among other CSA jurisdictions of 45 per cent. The survey conducted following the October 2010 campaign revealed that 41 per cent of respondents were aware that there is an agency responsible for regulating securities in New Brunswick, up from 30 per cent in October 2009. The results show that we are accomplishing our objective through the campaign.

In addition to the survey results, we saw a noted increase in the number of calls to our toll-free number during the time that the television advertising campaign ran. Calls received during IKM campaign months accounted for 46 per cent of the total calls received in 2010-11.

“ I am 53 years old. With that many years behind me, I feel I've become pretty wise about "get-rich-quick" schemes or other types of frauds/cons/scams. I would expect other, mature, people to have acquired the same degree of "discernment". It is not so. I am appalled at how easily people, young and old, are taken in by scams. Duped. Deceived. It happens. It happens often. It happened only a couple of years ago to my nearly-eighty-year-old mother-in-law, and cost her \$5,000 she could ill afford to part with.

So I'm writing to applaud the NB Securities Commission for its public awareness ads on investment fraud (the Invest in Knowing More program). Well done. And I hope effective. ”

Charles Aulds,
New Brunswick resident

BUILDING CONFIDENT AND INFORMED MARKETS

Healthy, accessible capital markets in the province provide economic opportunity and give New Brunswick investors confidence in the integrity of our capital markets. Our active initiative to foster the capital markets is unique in the securities regulatory environment. We take pride in our involvement in promoting ways to access capital and providing the regulatory infrastructure for the capital markets to prosper in New Brunswick.

When we embarked on an initiative to improve our province's capital markets in 2005, we quickly realized that we could only make progress by working in partnership with New Brunswick's capital markets stakeholders. The progress described below was only possible with the cooperation of our stakeholders. From our *Learning the Ropes* education series and the Capital Markets Study, to sponsoring the [New Brunswick Business Council's Future NB](#) conference, collaborative efforts helped produce results that had a positive effect on our capital markets.

FULLSAIL

We refer to our overarching capital markets development initiative as *Fullsail*. *Fullsail* helps develop the capital markets by supporting the growth of emerging, growing and on-going businesses. The foundation for all capital markets activity is realized by executing our *Fullsail* mandate through four strategic pillars: Research, Education, Action and Progress Reporting.

RESEARCH

Capital Markets Study

In 2009, we set out to understand how the components of our capital markets work together to support the New Brunswick economy. On-going discussions with our stakeholders revealed that they were measuring and defining New Brunswick's capital markets in different ways. The lack of a common measuring tool and an understanding of all the components that make up the capital markets has made it challenging for market participants to gain a full appreciation of our province's capital markets and their contribution to it.

In order to identify the components of our capital markets we engaged The Barrington Consulting Group Inc. (Barrington) to conduct a Capital Markets Study of New Brunswick's unique capital environment. Barrington interviewed a cross section of capital markets stakeholders including: academics, government officials, regional development officials, venture capitalists, registrants, bankers, lawyers and accountants. Barrington also conducted applied research to develop meaningful metrics and key

performance indicators (KPIs) that could be used by our stakeholders to measure the impact of programs and initiatives.

From this research Barrington was able to create a Capital Markets Performance Model as well as several other models that illustrate the inter-relationships between organizations and initiatives that contribute to the success of our capital markets. This will allow stakeholders to measure the impact of their initiatives over time on the capital markets and to speak in common terms about the impact and change exhibited by the markets.

This study, released in September 2010, is a preliminary document, written to capture a specific point in the development of New Brunswick's capital markets. Critical to the success of this study and its application is the ability to consistently populate the proposed model on a go-forward basis. We have issued a series of questions for stakeholders to consider with the goal of improving the models proposed by Barrington as well as the accuracy of the metrics and KPIs. The study and the questions can be viewed on our website.

Sidecar Fund

During previous *Fullsail* events, capital markets stakeholders identified a need to establish a committed source of equity capital that invests in early stage ventures along with other investors. This financing option is often described as a sidecar or co-investment fund.

We held a *Fullsail* series event in Saint John on 31 March 2010 to further discuss the recommendation to create a sidecar fund in New Brunswick. Working with our stakeholders, we developed a model for the fund based on the following design principles:

- Act as catalyst to leverage private sector capital.
- Leverage other sources of capital including lines of credit, research grants and term loans.
- Focus its investments on target growth sectors in the province.
- Make initial and follow-on investments to support on-going growth.
- Invest efficiently.
- Assess investment opportunities using qualified co-investors with a proven track record of success that are pre-qualified by the fund's administrator.
- Operate with minimal administrative costs.

The sidecar fund model was circulated to stakeholders for feedback. Further discussions are on-going regarding the administration of the fund. The model will be fine tuned during the early part of 2011 working toward releasing a final proposal by end of fiscal year 2011-12.

BUILDING CONFIDENT & INFORMED MARKETS

EDUCATION

[Learning the Ropes](#)

Understanding how to access capital is important to help New Brunswick businesses grow. We provide opportunities to learn about options with our *Learning the Ropes* events. *Learning the Ropes* is the educational arm of our *Fullsail* capital markets development initiative. We offer two-to-three hour sessions for businesses, those who support them and investors to learn about capital raising options and investment opportunities in our province.

For many of these events, we partnered with a local agency or capital markets stakeholder to ensure we had reach within the community and that we were addressing their needs.

Topic	Location
Going Public	Moncton
Going Public	Saint John
Access to Capital	Sackville
Alternative Trading Systems	Saint John
Offering Memorandum	Moncton

The October 2010 *Learning the Ropes* sessions featured the TMX group of companies which includes the Toronto Stock Exchange (TSX) and the TSX Venture Exchange (TSX-V). The sessions focussed on the TSX-V as an option for small to medium-sized Atlantic Canadian businesses to raise equity capital. Companies looking for under \$5 million in financing can consider the TSX-V.

The Alpha Group presented to over 30 participants at a *Learning the Ropes* event held in November 2010. Alpha operates an alternative trading system for Canadian equities.

We developed a new *Learning the Ropes* presentation about the offering memorandum exemption under securities law. At a session held in February 2011, over 40 participants gained a better appreciation for this financing option and how it provides New Brunswickers with a way to invest in New Brunswick companies.

“Very effective session. Helpful to small businesses looking to raise capital.”

Learning the Ropes Participant feedback

Publications & Resources

In 2010, we revised the [Accessing Capital](#) section of our website to provide more information about capital raising options and showcase new resources available. A section describing our *Fullsail* capital markets development initiative was added along with a simpler overview of capital raising options.

In response to increased demand from those looking for capital raising options, we developed several new resources about the [offering memorandum exemption](#). A new brochure provides a general understanding of securities law related to raising capital using the offering memorandum exemption. In addition, we developed a fillable PDF form tool that issuers can use when creating an offering memorandum. The purpose of developing the tool was to provide resources that would make it easier for New Brunswick businesses to access capital.

ACTION

We moved beyond traditional *Fullsail* meetings and partnered with the New Brunswick Business Council to sponsor a conference aimed at improving the economic future for New Brunswick. Future NB was charged with developing an action plan for renewed economic growth in New Brunswick. Over 270 New Brunswickers representing business, organized labour, education, healthcare, not-for-profits and government had their voices heard in Moncton for two days in November 2010.

We led the Money Stream panel session which focussed on access to capital. Panelists were asked to respond to the question “What do we need to ensure that the right financial environment is in place to permit New Brunswick to grow?”. We also facilitated the priority setting and action planning sessions for the Money Stream on the last morning of the summit. The top four priorities identified during this session included:

- Get New Brunswickers investing in local companies.
- Enhance and improve awareness of the Small Business Investor Tax Credit (SBITC) program.
- Reinstate a rural investment tax credit so business owners in remote areas can invest in growing their businesses.
- Encourage more angel investors to invest in the province by educating, developing a market plan and establishing three new local angel groups over the next year.

BUILDING CONFIDENT & INFORMED MARKETS

We took a leadership role on the Future NB committee that was formed to review, discuss and debate the priority of enhancing and improving awareness of the SBITC program. The committee met several times to complete its assessment of the program. It made a series of recommendations that were presented to the Department of Finance in early March. Department staff agreed to review and assess the recommendations.

We also participated as a speaker, sponsor or contributor in several other events throughout the year including the New Brunswick Innovation Foundation's BreakThru contest, UNB's Technology Innovation Pitch competition, Université de Moncton's Stock Exchange Simulator, Fredericton Chamber of Commerce's Access to Capital Series and the Invest Atlantic conference in Halifax.

PROGRESS REPORTING

[Making Headway Newsletter](#)

Keeping New Brunswickers informed about what's happening in our capital markets is a priority. The *Making Headway* capital markets newsletter was published three times in 2010-11. *Making Headway* aimed to keep capital markets stakeholders up to date and to celebrate successes in New Brunswick. The newsletters included a section highlighting an entrepreneur, a *Fullsail* update, event news and an article submitted by a stakeholder.

METRICS

Angel Investment

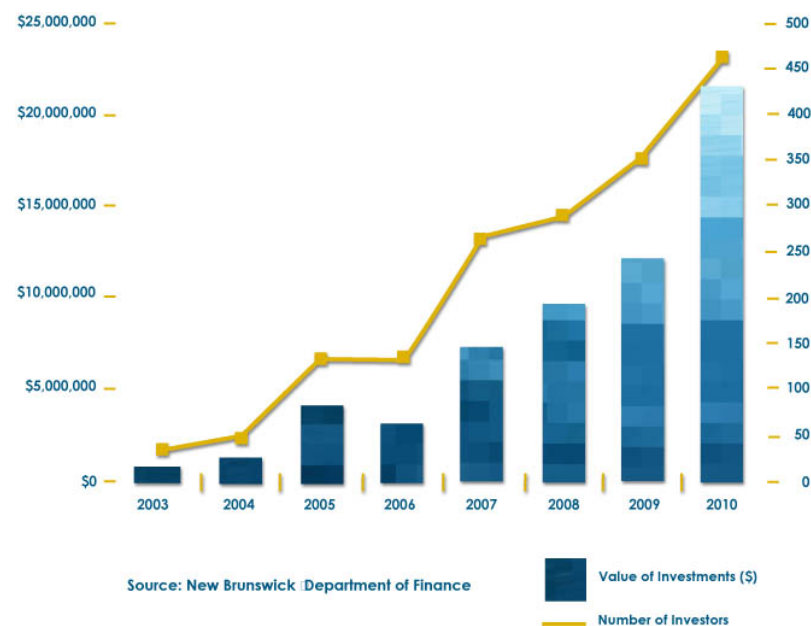
Angel investment is an important part of early stage growth because it leverages additional investment. These metrics indicate awareness about the supply and demand for angel equity investment. The [First Angel Network](#) (FAN) is the only formal angel network in the Maritimes; they provide their numbers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

	2010-11	2009-10	2008-09	2007-08
No. Investments	1	1	3	2
Total Investment	\$200,000	\$235,000	\$300,000	\$1,100,000
NB-based Angels	31	33	33	25

Angel investment in New Brunswick through FAN declined with only one investment of \$200,000 in a New Brunswick company, compared to \$235,000 invested in one company last year. FAN notes that, since the recession began in 2008, angel investment has been consistently down throughout the region to almost 50 per cent of previous levels. There were 31 New Brunswick-based angels associated with FAN in 2010, down slightly from 2009.

[Small Business Investor Tax Credit](#)

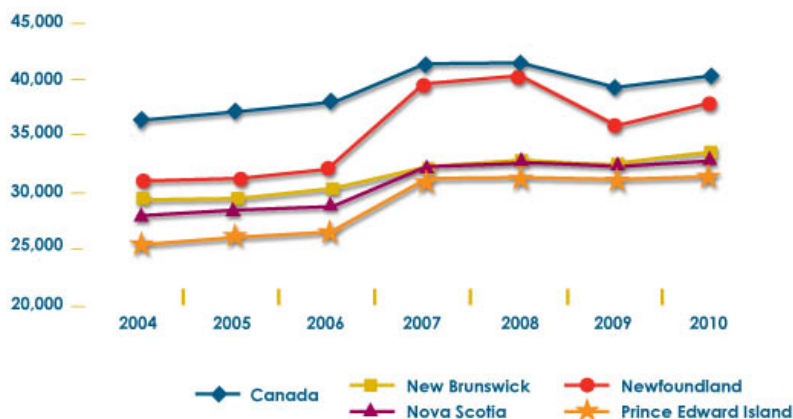
2010 was another banner year for the SBITC program with a record number of investors and cumulative investments over the past seven years topping 60 million dollars. There were 96 approved applications in 2010, a 22 per cent increase over the previous year. The total value of investments was up 80 per cent to \$21 million invested in 87 companies. The tax credit program benefited 461 investors, an increase of 31 per cent over last year.



BUILDING CONFIDENT & INFORMED MARKETS

Real GDP

Canada's Real GDP grew by 3.3 per cent in 2010. The province rebounded in 2010; also growing by 3.3 per cent. Although New Brunswick's population did not grow as fast as the national rate, the Real GDP per capita did jump to 83.1 per cent of the Canadian average. This puts the province slightly ahead of last year and above other maritime provinces.



Venture Capital

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

Between 2009 and 2010, total Canadian venture capital investment rebounded 11.5 per cent following a 26.5 per cent decline the previous year. New Brunswick saw a dramatic decrease of more than 50 per cent in 2010. The previous year, New Brunswick countered the downward trend with no change year-over-year. In 2010, there was a total investment of \$11 million in six New Brunswick companies.

	Amount Invested (\$ millions)			
	2010	2009	2008	2007
Canada	1,142	1,010	1,374	2,066
Québec	391	431	392	642
Ontario	424	288	575	950
British Columbia	216	141	260	316
Alberta	67	59	78	47
New Brunswick	11	26	26	16
Saskatchewan	9	13	21	59
Nova Scotia	10	25	17	18
Manitoba	14	10	3	18
Newfoundland	0	18	2	0
Prince Edward Island	0	0	0	0

Source: Thomson/Reuters

A BALANCING ACT - MAKING RULES

We work diligently to develop and enhance New Brunswick's securities regulations consistent with the national harmonized system and appropriate for New Brunswick investors and issuers. When we undertake regulatory changes, we consider how to balance our dual mandate of investor protection and capital markets development.

In order to ensure securities regulations protect New Brunswick investors and foster the development of our capital markets, we keep up to date on current market events and investors' concerns. We consult with stakeholders and actively participate on CSA committees. Following the financial crisis in 2008, regulators across Canada worked together to address the systemic and regulatory issues that became apparent. The following is a summary of some of the areas in which staff were actively involved to help address these issues.

CREDIT RATING AGENCIES

The CSA published for comment a proposed regulatory regime for the regulation of credit rating agencies. This regime would have agencies apply to become a designated rating organization (DRO). This would allow their ratings to be used for various purposes within securities legislation. For example, certain debt securities will only have access to the short form prospectus system if they obtain a credit rating from a DRO.

OVER-THE-COUNTER (OTC) DERIVATIVES

The CSA Derivatives Committee published [Consultation Paper 91-401 - Over-the-Counter Derivatives Regulation in Canada](#) for comment. The Committee monitored international regulatory proposals and legislative developments while developing the paper. The recommendations are intended to strengthen the regulation of Canada's financial markets and manage specific risks related to OTC derivatives.

VENTURE ISSUERS CONSULTATION PAPER

In cooperation with several other securities regulators across Canada, we released [Multilateral Consultation Paper 51-403 Tailoring Venture Issuer Regulation](#). The paper describes a more tailored approach to venture issuer regulation which could serve to enhance investor protection while reducing regulatory costs for venture issuers. The proposal could also allow companies to focus on business development and help develop the capital markets.

POINT OF SALE

Phase 1 of the Point of Sale Disclosure project for Mutual Funds was completed when amendments to [National Instrument 81-101 Mutual Fund Prospectus Disclosure](#) came into force on 1 January 2011. The instrument contains the requirement to produce and file a Fund Facts document, a new disclosure document that is central to the point of sale disclosure framework.

FUND FACTS DOCUMENT: highlights key information for investors about a mutual fund, including fund performance, risk and the costs of buying and owning a fund.

CSA STANDING COMMITTEE ON SYSTEMIC RISK

Recognizing a need to identify, analyze, monitor and mitigate systemic risk, the CSA formed a standing committee on systemic risk. The key objective of the Committee is to develop processes to follow up on and monitor identified systemic risks or knowledge gaps in the Canadian capital markets.

AMENDMENTS TO REGISTRATION RULES

The CSA proposed amendments to [National Instrument 31-103 - Registration Requirements and Exemptions](#) and [National Instrument 33-109 Registration Information](#). The amendments are the result of continuing dialogue with market participants and regulators to address questions and concerns that arose while working with the registration rules. The proposed amendments are intended to make the national registration rules clearer and the on-going requirements more targeted, to the benefit of registrants and the investors they serve.

SECURITIES ACT AMENDMENTS

The Commission proposed amendments to the *Securities Act* in October 2010 which would put in place a framework for the regulation of auditor oversight bodies and credit rating agencies. The amendments would also incorporate terms used in International Financial Reporting Standards (IFRS). The Commission also proposed strengthening enforcement provisions with the addition of a provision for prosecution for perjury.

FOLLOWING THE RULES - COMPLIANCE

Registration of those who are in the business of trading or advising in securities is integral to protecting New Brunswick investors. Our role as a regulator is to determine whether an individual or a firm should be permitted to operate in New Brunswick. We also examine their practices for compliance with the rules that govern their participation in the capital markets.

Before registering individuals and firms we evaluate their suitability to advise or trade in securities. We assess a firm's fitness for registration and an individual's proficiency, education and experience. In 2010-11, we registered 84 new firms and 2460 new individuals.

Our trained staff conduct reviews of registered firms and individuals on their premises. We examined their business practices, assess Know Your Client information and review supervision arrangements, among other requirements.

In 2010-11, we conducted compliance reviews on 10 firms. One review was an issue-specific review related to the new Exempt Market Dealer category. Seven reviews were conducted jointly with self-regulatory organizations (SROs) including the [Mutual Fund Dealers Association of Canada](#) (MFDA) and the [Investment Industry Regulatory Organization of Canada](#) (IIROC).

Two other compliance reviews were conducted as a follow up to the compliance sweep we did last year on the use of leveraging. A [report](#) on this leverage sweep was released in June 2010. The report highlighted that suitability reviews, in some cases, were not consistent with the firm's own guidelines. The follow-up reviews were performed on those firms identified with deficiencies during the sweep and established that the firms were implementing best practices and following their guidelines.

We developed a new internal database to input results of compliance reviews, complaints and SRO reporting. The database is designed to allow us to take a risk-based approach to selecting firms for compliance reviews. This unique system was developed in 2010-11 using internal expertise.

REPORTING ISSUERS

We conducted reviews on nine New Brunswick-based public companies in 2010-11. These reporting issuers are obligated to regularly disclose relevant information to their shareholders. All New Brunswick-based reporting issuers were reviewed for implementing the new International Financial Reporting Standards (IFRS) as part of the compliance regime.

Effective 1 January 2011, IFRS, a single set of globally accepted, high quality accounting standards set by the International Accounting Standards Board, applies to most Canadian publicly accountable enterprises for financial years beginning on or after 1 January 2011. Converting to IFRS from Canadian Generally Accepted Accounting Principles (GAAP) represented a significant change to Canada's financial reporting framework.



Kenneth Savage, Susan Powell

TAKING ACTION - ENFORCEMENT

Our enforcement staff use various proactive measures to try to detect illegal investment schemes in their early stages before they can do harm to New Brunswickers. We encourage existing market participants and investors to report any misconduct to us confidentially and conduct surveillance using various methods, including an automated Internet surveillance tool.

We also work closely with law enforcement agencies and other regulatory bodies. Sharing market intelligence and expertise among enforcement and regulatory agencies enables better cooperation and more effective action against those who break the law. As examples, we shared information with the RCMP on a matter being examined by both agencies, conducted an investigation with the Insurance Branch and provided training to staff at the Canada Revenue Agency.

In each of the past four years, we hosted a [White Collar Crime Symposium](#) to exchange information about recent developments in the investigation and prosecution of white collar crime. In December 2010, more than 40 participants representing eight regulatory bodies, government departments and enforcement agencies attended the symposium. Participants heard from experts on various topics including foreign exchange (forex) fraud, red flags of investment fraud, an update on civil forfeiture and fraud prosecutions under the *Securities Act*.

New Brunswickers also have an important role to play in helping to protect other investors by reporting suspicious investment activity to us. We alert the public about possible threats using proactive communication measures. This year, 11 companies and individuals were added to our online [Caution List](#) and 14 news releases on enforcement-related matters were issued including four Investor Alerts. These news releases resulted in 68 media stories in various radio, print and online publications. In addition, all new public information was posted to our website, sent to our subscription list via email and linked through our Twitter account, [@NBSecuritiesCom](#). Many news stories were reported throughout Canada and the US, as well as internationally.

“ Sharing market intelligence and expertise among enforcement and regulatory agencies enables better cooperation and more effective action against those who break the law. ”

Of particular note is how the Internet has greatly enhanced the reach of our proactive communication efforts. Investors are targeted by scammers through the Internet, by email and by telephone. Many of the cases brought to our attention via our Internet surveillance tool and complaints from New Brunswickers originated from outside of our province, many from outside of Canada. This year, we worked with other CSA jurisdictions to develop a plan for an Investor Alert website that will consolidate all alerts relevant to Canadians in one online location. It is anticipated that the website will go live in mid to late 2011.

PROCEEDINGS

We seek to deter unfair, improper and fraudulent practices by dealing with enforcement matters as quickly and effectively as we can. We often request cease-trade orders and begin proceedings to obtain other types of public interest orders using our authority as an administrative tribunal.

In 2010-11, we opened 54 new enforcement matters. All new matters were assessed to determine if there was a potential violation of securities laws. Those requiring investigation were handled by our investigators. We referred non-securities-related files to the appropriate agency.

Suspected illegal distributions including unregistered trading, illegal solicitations and improper use of securities laws exemptions accounted for 25 per cent of new enforcement files opened in 2010-11. Complaints received from the public related mostly to this category. New Brunswickers were most often offered suspicious investments in oil, gas, forex and precious metals when solicited by telephone calls, email or through the Internet.

The Commission issued 12 orders to protect the public and to achieve compliance with regulations. These actions resulted in orders of \$38,000 in financial penalties and \$3,000 in investigation and hearing costs. The orders prohibited or restricted the ability of 22 individuals and companies to operate in our provincial capital markets.

TAKING ACTION - ENFORCEMENT

CASE SUMMARY

The following is a summary of the cases that commenced in 2010-11 or that were concluded by a Commission panel during the fiscal year. The case summary illustrates the nature of the alleged or actual securities violations that were dealt with and any sanctions that were ordered by the tribunal.

ILLEGAL DISTRIBUTIONS

[Briand, Harrison & Associates, Craig Briand and Stephen Harrison](#)

APRIL 2010

An investigation ensued following a complaint from an individual who had previous experience with Stephen Harrison when he owned and operated a failed investment business in Ontario. Craig Briand of Fredericton and Stephen Harrison of Kingsley were alleged to have acted as investment advisers without proper registration, and their company held itself as a company offering investment advice. The matter was concluded with a Settlement Agreement approved by a panel of the Commission. The Settlement Agreement provided that the respondents be permanently denied all exemptions under New Brunswick securities law. Harrison and Briand paid administrative penalties of \$6,000 and \$2,000 respectively, and costs of \$1,000 each.

[Global-Med Technologies Group Inc.](#)

JANUARY 2011

An undertaking was requested from Global-Med Technologies Group Inc. (Global-Med), of Sarasota, Florida, following a complaint from a Bathurst resident who was solicited and had concerns about investments in Global-Med. Global-Med accepted the undertaking and agreed not to solicit or trade in securities in New Brunswick without first seeking proper registration. Global-Med claimed to be a research-based private equity group investing in medical technology companies. An Investor Alert was issued about Global-Med in January 2011.

[Ronin Group L.L.C., Ronin Operating L.L.C., Joe Trevino Jr.](#)

MARCH 2011

Following a hearing, a permanent cease-trade order was issued against Ronin Group L.L.C., Ronin Operating L.L.C. and Joe Trevino Jr. of Arlington, Texas. Trevino allegedly solicited a New Brunswick resident to invest in oil and gas wells purportedly being developed in Oklahoma in violation of the *Securities Act*. The respondents were not registered with the Commission and had not made any filings with regard to distributions in the province.

[Shaker Management Group Inc. and Trudy Hendry](#)

JANUARY 2011

A Settlement Agreement was reached with Trudi Hendry of Fredericton, and her company Shaker Management Group Inc. The order of the Panel approving the Settlement Agreement banned Hendry from selling or promoting investments and further ordered that she be denied all securities exemptions and that she cannot become a director or officer of any issuer, for a period of five years. Shaker Management Group Inc. was permanently banned from selling investments and permanently denied all securities exemptions. Hendry stated that she formed a business relationship with two other parties from Alberta which evolved into a plan to buy a hotel property for investment purposes. One person from Nova Scotia invested \$22,600 and others provided loans totalling over \$190,000. The purchase was never completed and Shaker Management Group Inc. is now insolvent. Hendry agreed that her actions were in violation of the *Securities Act*.

[Tycoon Energy Inc., David Havenor and Matthew Nerbonne](#)

DECEMBER 2010

An *ex parte* temporary cease-trade order was issued against Texas-based Tycoon Energy Inc. and two of its directors, David Havenor and Matthew Nerbonne. Staff alleged that at least one New Brunswick resident was solicited to invest in the company's "Plains Ranch Well No. 1 Joint Venture". The resident was provided marketing materials suggesting that this potential oil well could provide returns of up to 447 per cent within one year. None of the respondents were registered with the NBSC, and none filed a prospectus or made any filings in the province. Nerbonne, President and CEO of Tycoon Energy Inc., was previously sanctioned by securities regulators in Pennsylvania, Alabama and California, and was indicted for fraud in California. The *ex parte* cease-trade order was made permanent following a hearing held in January 2011.

[X4 Technologies Incorporated et al.](#)

MARCH 2011

A temporary cease-trade order was issued against X4 Technologies Inc., Kevin Joseph Surette of Whitney, Ricki Landon Porter of Dieppe, and Lee Thomas Johnston Jr., whereabouts unknown. Staff alleged that several people, both inside and outside of the province, were solicited to invest in X4 Technologies in violation of the *Securities Act*. The investigation into X4 Technologies was on-going at the end of March 2011. The temporary cease-trade order remains in effect until further order of the Commission.

TAKING ACTION - ENFORCEMENT

REGISTRANT MISCONDUCT

[S&L Transactions Ltd., Robert Saintonge and Aline Saintonge](#)

JULY 2010

Robert Saintonge, Aline Saintonge and S&L Transactions Ltd., a company controlled by Aline Saintonge, referred investors to invest in debt securities with a Québec company, Centre de Traitement d'information de credit (C.T.I.C.) inc. (CTIC) in 2006 and 2007, in contravention of the *Securities Act*. The Saintonges referred three individuals and Aline Saintonge also invested resulting in commissions totalling \$33,000 to S&L Transactions Ltd. for the referrals. Through a Settlement Agreement approved by the Commission, the \$33,000 was returned to two New Brunswick investors.

In addition to providing for the forfeiture of the commissions, the Settlement Agreement provided that Robert Saintonge pay an administrative penalty of \$10,000 and be banned from trading in securities on behalf of the public for five years. At the time of his participation, he was a registered mutual fund salesperson at Investia Financial Services Inc., and he was prohibited from being involved in any securities transactions conducted outside the business of his dealer. Investia Financial Services Inc. was not involved with the investments in CTIC. Aline Saintonge was banned from trading in securities on behalf of the public for one year. The respondents also paid costs of \$1,000.

[WFG Securities of Canada Inc.](#)

JUNE 2010

While looking into an inquiry from a member of the public, deficiencies concerning the Fredericton branch of WFG Securities of Canada Inc. were discovered. The mutual funds salespersons operating out of the Fredericton branch were incorrectly registered as working out of the Moncton office. Under the terms of a Settlement Agreement, WFG and a company employee were reprimanded. The company was ordered to pay an administrative penalty of \$20,000 for operating a branch office in Fredericton without proper registration and supervision.



Brodie Shannon, Linda Rickard, Marc Wagg

STATISTICS AT A GLANCE

ENFORCEMENT ACTIVITY	2010-11	2009-10	2008-09	2007-08	2006-07
Complaints received ¹	31	60	41	81	71
New files from other sources (referrals, surveillance, etc.)	23	24	-	-	-
Requests for assistance from other regulators	-	5	-	-	-
New matters	54	89	53	35	29
Matters concluded	62	83	43	20	22
Average length of matters (in days)	99	130	114	88	160
Interim cease-trade orders	1 (3 parties)	4 (13 parties)	5 (19 parties)	4 (24 parties)	13
Cease-trade orders	3 (10 parties)	3 (9 parties)	4 (11 parties)	4 (4 parties)	5
Recognition cease-trade orders	-	6 (28 parties)	4	1	-
Settlements approved	4	2	5	5	2
Hearing days (excludes hearings on requests for investigative orders)	16	14	20	16	24
Costs levied	\$ 3,000	\$ 3,000	\$ 64,033	\$ 29,000	\$ 5,000
Costs recovered	\$ 9,000	\$ 1,000	\$ 34,000	\$ 3,750	-
Administrative penalties levied	\$ 38,000	\$ 177,500	\$ 683,000	\$ 401,100	\$ 55,000
Administrative penalties recovered	\$ 31,000	\$ 7,500	\$ 238,000	\$ 51,100	\$ 10,000
Funds ordered to be returned to investors	\$ 33,000	-	\$ 160,000	-	-
Funds recovered to be returned to investors	\$ 45,000	\$ 12,000	\$ 25,090	-	-
Funds paid out to investors	\$ 39,000	\$ 14,000	\$ 23,090	-	-

CORPORATE FINANCE ACTIVITY

Reporting issuers	4289	4053	4011 ²	3937	3568
Reporting issuers (New Brunswick-based)	9	9	7	7	6
Prospectus filings (non-mutual funds)	598	578	352	507	532
Mutual fund prospectus filings	194	210	224	225	213
Annual information forms	1205	1250	1152 ²	1299	926
Exempt distribution reports	290	313	291	264	265
Exemption applications (non-Passport)	79	135	218	442	604
Cease-trade order	-	1	1	-	-
Management cease-trade order	-	-	1	-	-

REGISTRATION ACTIVITY

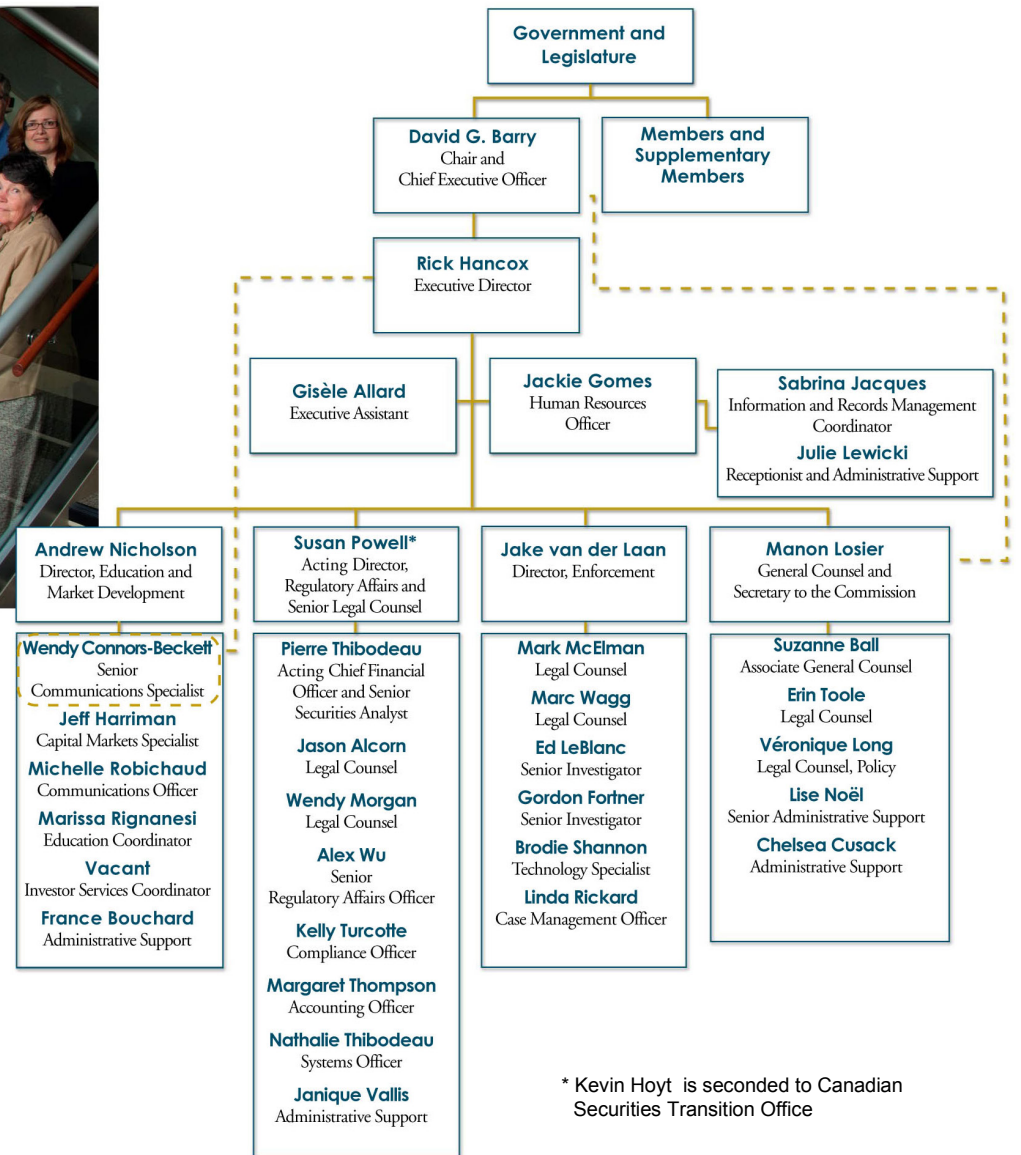
Registered firms	365	296	283	282	261
Registered firms (New Brunswick head office)	5	7	7	7	7
Branches/sub-branches in New Brunswick	539	535	551	541	496
Registered individuals	8732	7848	7555	7349	7012
Registered individuals (New Brunswick residence)	1718	1707	1809	1681	1602

¹ New reporting scheme implemented in 2009.

² Restated.

ORGANIZATIONAL CHART

As at 31 March 2011



GOVERNANCE AND ACCOUNTABILITY

ORGANIZATIONAL PROFILE

We are led by a board of directors made up of five part-time members and one 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 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. More than half of our staff members (54 per cent) are bilingual. In addition, 37 per cent of staff members are participating in French training to improve their linguistic abilities.

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 focusses 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.

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 areas of management oversight, policy development and adjudication. They review resource allocation, risk management, financial reporting policies and the effectiveness of internal controls and management information systems. The Commission members' mandate, which is contained in the [Governance Policy](#), can be found on our website.

As a full-time member of the Commission, the Chair acts as our Chief Executive Officer. He is responsible for the administration of the *Securities Act* and reports to the Board of Directors. He presides over Commission meetings and is ultimately responsible for the overall performance and management of the organization. The Chair and CEO's position description is contained in the Governance Policy.

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

In their quasi-judicial role, members adjudicate regulatory and enforcement matters. Supplementary members also serve on these hearing panels.

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 standing 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 initially appointed as Lead member in 2008 and has continued in this role in the 2009-10 and 2010-11 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, presides and determines the procedure for such meetings. The Lead member is provided with a copy of the agenda for meetings of the standing committees and may attend these meetings. The Lead member presides and acts as Chair in the absence or inability of the Chair to act at any Commission meeting.

GOVERNANCE & ACCOUNTABILITY

CODE OF CONDUCT

Our Governance Policy states that the highest ethical standards are expected of our members, supplementary members, senior management and staff. On 1 September 2010, the Commission adopted [Local Rule 11-504 Conflict of Interest and Code of Conduct](#) that stipulates that all members and staff must act in a manner that ensures public confidence and trust in the integrity, objectivity and impartiality of the Commission are conserved and enhanced.

Because members and staff are exposed to confidential information, they are therefore subject to rigorous disclosures. Under the rule, both must disclose securities holdings and any changes in holdings. They are required to immediately report actual or perceived conflicts that might be seen to influence decisions.

DISCLOSURE

The Commission places high value on transparent disclosure practices and has created this annual report on governance practices to reflect that value.

PUBLIC INTEREST DISCLOSURE

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

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

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 2010-11.

PRIVACY

The Commission is committed to respecting privacy and protecting personal information. We manage and protect personal information according to the [New Brunswick Access to Information and Protection of Privacy Act](#), the *Securities Act*, and Commission policies, directives and procedures.

The Commission's Privacy Policy incorporates the ten principles of the Canadian Standards Association *Model Code for the Protection of Personal Information* which was published as a National Standard of Canada by the Standards Council of Canada. The Executive Director is the Commission's Privacy Officer and is responsible for ensuring proper procedures are in place for compliance with the policy.

MEMBER ORIENTATION AND CONTINUING EDUCATION

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

New supplementary members must also participate in a one-day orientation session focussed on introducing them to hearings on enforcement matters, our role as a tribunal and a basic orientation to securities law and administrative law. A briefing is also given on our compliance and enforcement functions.

The Commission places high value on continuing education and its programs are comprised of mandatory common training sessions and individual training. The individual training is customized and over the years members have taken courses that enhance their performance both in the boardroom and in the tribunal context. Descriptions of the joint training sessions for fiscal year 2010-11 are set out on page 23.

GOVERNANCE & ACCOUNTABILITY

CONTINUING EDUCATION

Topic Date	Presenter	Attendees
The role and progress of the Canadian Securities Transition Office (CSTO) 7 April 2010	Doug Hyndman, Chair and CEO, CSTO	All members and Guy Couturier
Principles of Purchasing 21 June 2010	Wendy Morgan, Legal Counsel, New Brunswick Securities Commission	All members
Internet Scams 26 July 2010	Jake van der Laan, Director Enforcement, New Brunswick Securities Commission	All members
Director Competency 25 October 2010	John Stevenson, Secretary, Ontario Securities Commission (OSC) Carol Perry, Member and Chair of Governance and Nominating Committee, OSC	All members

In addition, the Chair and CEO attended in-house media training, the Directors Education Program offered by the Institute of Corporate Directors and the annual Securities Super Conference offered by the Canadian Institute.

ASSESSMENTS

The Human Resources and Governance Committee conducts an annual assessment of the effectiveness of the Commission, its standing committees and its members. A detailed questionnaire asking for quantitative and qualitative ratings on a number of areas is circulated to the members. The questionnaires are submitted anonymously to the Chair of the Human Resources and Governance Committee who prepares a report for the committee which is ultimately reported back to the Commission.

In addition, members also perform a self-evaluation every year which is submitted to the Chair of the Commission. The Chair summarizes the results and reports to the Commission. The self-evaluations form the basis for the Chair's interview with each member and assists in identifying the educational needs of the member.

Chair and CEO Assessment

Every year, the Human Resources and Governance Committee undertakes a comprehensive Chair and CEO assessment process. As part of the process, the Chair is required to complete a self-assessment against the terms of reference for the position found in the Governance Policy, the Commission's Forward Looking Agenda and Work Plan, and the Chair's priorities for the past fiscal year.

The Chair of the Human Resources and Governance Committee, following a review of the self-assessment prepares in consultation with other members of the Committee, an independent report on the Chair and CEO's success. The report reviews how the Chair and CEO has fulfilled his role, accomplished the Commission's agenda and work plan for the year, and met the Chair's priorities. The Committee meets with the Chair and CEO and then reports back to the Commission, *in camera*.

Skills and Experience

The Commission maintains and regularly reviews the 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 determined against that profile. The current skills and experience of the Commission are reflected in the following chart.

Skills Matrix

Skills and Experience	Number of members
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 and involvement	5
Communications	5
Legal	3
Adjudicative	5
Corporate governance	6

GOVERNANCE & ACCOUNTABILITY

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. The Chair sits *ex officio* on the Audit and Human Resources and Governance committees but does not vote. He is also the Chair of the Adjudicative Committee. Attendance at Commission and committee meetings is reflected in the chart on page 25.

Audit Committee

The Audit Committee is responsible for financial reporting and public disclosure, internal controls, audits and risk management. It meets at least five times per year. The Audit Committee held six regular meetings and one special meeting during the 2010-11 fiscal year.

The members of the Audit Committee are required to be financially literate and have the ability to understand the financial statements of the Commission. All committee members have attested to their financial literacy.

The Audit Committee conducted regular reviews of financial statements and members' expense claims. Committee members reviewed financial and other risks of the Commission during the budget process and reassessed the risks during its periodic financial statement reviews. They also carried out a review of management's annual report on internal controls.

The Chair of the committee met with the Auditor General to discuss the scope of the audit. The committee met with representatives of the Auditor General to review the Commission's audited financial statements and in accordance with the Commission's governance practice, met with the Auditor General without management, other than the Chair, and then without the Chair.

Human Resources and Governance Committee

The Human Resources and Governance Committee is responsible for compensation; the selection of senior management; the assessment of the organizational structure and performance of the Commission members including the Chair; human resources policies and procedures; and governance. The Committee meets at least four times per year and in 2010-11, held four regular and six special meetings.

The Human Resources and Governance Committee and the Commission play an active role in recommending candidates for the Chair and CEO position and for the appointment of members and supplementary members pursuant to a Memorandum of Understanding with the Department of Justice and Consumer Affairs.

Commission members are recommended for appointment based on a profile contained in our Governance Policy. The profile reflects the need for appropriate skills and experience among members, and reasonable geographic and linguistic representation that reflects the diversity of the province. The profile allows the Commission to identify the skill sets for member or supplementary member appointments. In July 2010, a member was reappointed for a five-year term and a supplementary member was reappointed for a three-year term.

In 2010-11, the Committee conducted an extensive review of the Governance Policy and made recommendations to the Commission for significant enhancements, particularly in the area of disclosure. The Committee undertook a review of the human resources policies and also issued a request for proposal to engage an independent advisor to conduct a salary and benefit review for staff. The review was completed in March 2011.

Adjudicative Committee

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

The Committee received a report on and completed an annual review of the support received from the Office of the Secretary. The Committee also completed an annual review of [Local Rule 15-501 Procedures for Hearings before a Hearing Panel of the Commission](#) and suggested amendments to this rule which were implemented during the fiscal year. The Committee discussed assorted procedural issues on several current law topics, including disclosure and privacy issues, recognition orders, conflicts of interest and use of electronic binders by the panels.

GOVERNANCE & ACCOUNTABILITY

Members' Attendance 2010-11

Members	Meetings					Hearings	
	Commission (12)	Special (4)	Audit Committee (7)	Human Resources and Governance Committee (10)	Adjudicative Committee (2)	Enforcement (16) <small>Note 3</small>	Exemption requests (15)
David G. Barry, Q.C.	12/12	4/4	7/7	10/10	2/2	4	12
Anne La Forest	12/12	3/4	7/7	N/A	2/2	7	3
Sheldon Lee	12/12	4/4	7/7	N/A	2/2	3	3
Kenneth Savage	12/12	4/4	7/7	10/10	2/2	4	3
Céline Trifts <small>Note 1</small>	12/12	4/4	N/A	10/10	2/2	13	4
Harry H. Williamson, Q.C.	12/12	4/4	N/A	10/10	2/2	1	0
Supplementary Members							
Denise A. LeBlanc, Q.C.	N/A	0/1 <small>Note 2</small>	N/A	N/A	2/2	10	N/A
James E. Lockyer, Q.C.	N/A	0/1 <small>Note 2</small>	N/A	N/A	2/2	0	N/A
Guy G. Couturier, Q.C.	N/A	1/1 <small>Note 2</small>	N/A	N/A	1/2	3	N/A

Note 1 Ms. Trifts had two additional meetings as a member of the Evaluation and Review Committee.

Note 2 Supplementary members were invited to participate in only one education session.

Note 3 Enforcement hearings panels are made up of members and supplementary members according to availability, expertise and linguistic requirements.

GOVERNANCE & ACCOUNTABILITY

REMUNERATION

MEMBERS

Bylaw No. 1, General Business Affairs provides the salary, retainers and service fees, as applicable, for the Chair, members, supplementary members, Committee Chairs and the Lead member as set out below.

	Salary	Annual Retainer Note 1	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 1 The Lead Member and Committee chairs receive an additional retainer of \$2,000 per year.

CHAIR AND CEO

The Chair and CEO received a basic salary of \$159,825 plus employment benefits which include health, dental and life insurance, and \$11,218 in lieu of pension, 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 \$47,443.

Members' Remuneration and Expenses (2010-11)

The members' retainers, service fees and expenses related to travel, meals, hotel, parking and education are included below. Members receive a service fee for each activity completed on behalf of the Commission, which includes preparation for each Commission meeting. Members and supplementary members' service fees and expenses are affected by the number of hearing days, which is dependent on enforcement activity. Members and supplementary members also receive service fees for hearing preparation and time spent drafting decisions.

Members	Appointed or reappointed	Term End	Retainer Note 1	Service Fees Note 2	Allotment for Travel Time	Total Remuneration	Expense Reimbursements and Allowances
Anne La Forest (Lead member)	1-Jul-04 15-Jul-08	14-Jul-12	\$12,000	\$19,950	\$2,200	\$34,150	\$2,839
Sheldon Lee	15-Jul-08	14-Jul-13	\$10,000	\$16,450	\$1,300	\$27,750	\$2,655
Kenneth Savage, CA (Committee chair)	16-Aug-07 1-Jul-10	30-Jun-15	\$12,000	\$18,550	\$2,400	\$32,950	\$3,279
Céline Trifts (Committee chair)	16-Aug-07 30-Jun-09	29-Jun-14	\$12,000	\$25,550	\$3,900	\$41,450	\$5,089
Harry H. Williamson, Q.C.	15-Jul-08	14-Jul-13	\$10,000	\$14,000	\$1,500	\$25,500	\$2,056
Supplementary Members Note 3							
Denise A. LeBlanc, Q.C.	15-Jul-08	14-Jul-11	\$5,000	\$8,050	\$2,200	\$15,250	\$1,891
James E. Lockyer, Q.C.	15-Nov-07	31-Oct-10	\$2,921	\$700	\$400	\$4,021	\$360
Guy G. Couturier, Q.C.	18-Sep-08 18-Sep-10	18-Sep-13	\$5,000	\$3,500	\$800	\$9,300	\$785

Note 1 The Lead member and Committee chairs receive an additional retainer of \$2,000 per year.

Note 2 The supplementary members' service fees include payment for participation in orientation or education sessions relevant to the adjudicative functions they perform.

Note 3 Tracey DeWare was appointed as a supplementary member just prior to the end of the fiscal year.

COMMISSION MEMBERS



DAVID G. BARRY, Q.C.

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

Residence: Rothesay
Appointed: 1 July 2009
Term expires: 30 June 2014

Committees:

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

Professional and industry experience:

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

Education:

B.Sc. (Mathematics), Saint Francis Xavier University
M.Sc. (Computer Science), University of Alberta
LLB, University of New Brunswick



ANNE LA FOREST

After working for many years in private practice and as a professor at Dalhousie Law School, Ms. La Forest was appointed Dean of the University of New Brunswick's Faculty of Law until 2004. Professor La Forest teaches in the areas of property law, international law, comparative law, commercial law, conflict of laws and securities law. She is the author of many books and articles including *Extradition to and from Canada* (3d) 1991 and *Anger & Honsberger's Real Property Law in Canada* (2006 - updated annually). She is a member of the Law Society of New Brunswick, the Canadian Bar Association and of the bars of Nova Scotia and Ontario. She has extensive experience as an arbitrator, was a member of the Nova Scotia Human Rights Tribunal and is a Fellow of the Cambridge Commonwealth Society. She is currently a member of the Patented Medicines Prices Review Board and the Board of Governors of the National Judicial Institute.

Residence: Fredericton
Appointed: 1 July 2004
Term expires: 14 July 2012

Committees:

- Lead member
- Audit
- Adjudicative

Professional and industry experience:

- Securities law
- Administrative law
- Tribunal member

Education:

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



SHELDON LEE

Mr. Lee is a retired businessman and served in the Legislature of New Brunswick for 25 years. He was Minister of Transportation from 1987 to 1999 and from 1999 to 2003 served as Chairman of the Public Accounts Committee of the Legislature. He was also a member of the Legislature's Standing Committee on the Ombudsman, the Committee to Review Rates and Policies in the Insurance Industry and the Select Committee for Natural Resources and Energy on Crown Lands and Wildlife Habitat. Mr. Lee served in northern Canada on the establishment of Dew Line defence capabilities during the cold war. He is a member of the Shriner's of North America and an honorary member of the New Brunswick Road Builders and Heavy Construction Association. He served as secretary to the New Brunswick Truckers' Association. Mr. Lee was the recipient in 1992 of the 125th Anniversary of the Confederation of Canada Medal and in 2002 of the Queen Elizabeth II Golden Jubilee Medal. He has played an active role in his community as Director of the St. George Rotary Club and the Charlotte County Chamber of Commerce.

Residence: Bonny River
Appointed: 15 July 2008
Term expires: 14 July 2013

Committees:

- Audit
- Adjudicative

Professional and industry experience:

- Business
- Management

COMMISSION MEMBERS



KEN SAVAGE

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

Residence: Fredericton
Appointed: 16 August 2007
Term expires: 30 June 2015

Committees:

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

Professional and industry experience:

- Financial
- Accounting
- Auditing
- Business Advisory
- Governance

Education:

Chartered Accountant, New Brunswick Institute of Chartered Accountants
Certified Financial Planner



CÉLINE TRIFTS

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

Residence: Moncton
Appointed: 16 August 2007
Term expires: 29 June 2014

Committees:

- Human Resources and Governance (Chair)
- Adjudicative

Professional and industry experience:

- Business
- Education
- Management

Education:

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



HARRY H. WILLIAMSON, Q.C.

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

Residence: Bathurst
Appointed: 15 July 2008
Term expires: 14 July 2013

Committees:

- Human Resources and Governance
- Adjudicative

Professional and industry experience:

- Commercial law
- Administrative law
- Tribunal member

Education:

BA, University of New Brunswick
B.Ed., University of New Brunswick
LLB, University of New Brunswick

SUPPLEMENTARY MEMBERS

GUY G. COUTURIER, Q.C.

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

Residence: Dieppe
Appointed: 18 September 2009
Term expires: 17 September 2013

Professional and industry experience:

- Administrative law
- Tribunal member

Education:

BAA, Université de Moncton
LLB, University of New Brunswick

TRACEY K. DEWARE

Ms. DeWare is a Partner in the law firm of Stewart McKelvey. She has practiced law for over 15 years and has experience in the fields of insurance, personal injury, product liability, medical malpractice, disability, employment and administrative law and commercial litigation. She chairs appeal hearings of the Review Tribunal of the Canada Pension Plan. She is a member of the Canadian Bar Association, the Law Society of New Brunswick and l'Association des juristes d'expression française du Nouveau-Brunswick. At the Bar Admission Course, she lectures on civil procedure and insurance law to both French and English sections. Ms. DeWare has been active on a number of community boards and is a member of the board of directors of the Atlantic Cancer Research Institute, the Friends of the Moncton Hospital and Downtown Moncton Centreville Inc.

Residence: Moncton
Appointed: 1 March 2011
Term expires: 28 February 2014

Professional and industry experience:

- Insurance law
- Administrative law
- Commercial law

Education:

Political Science Honours Program, Bishops' University
LLB, University of New Brunswick

DENISE A. LEBLANC, Q.C.

Ms. LeBlanc has been practicing law for over 25 years and is a partner and the Regional Manager for New Brunswick in the law firm of McInnes Cooper, focussing on the areas of asset recovery, insolvency, and corporate and business law. She is a member of the Law Society of New Brunswick and the Canadian Bar Association. Ms. LeBlanc is an accredited arbitrator/adjudicator in the Society of Ontario Adjudicators and Regulators and is an adjudicator in the New Brunswick Small Claims Court as well as the Mental Health Act Tribunal. Ms. LeBlanc is currently President of the Canadian Bar Association, New Brunswick Division, as well as a lecturer at the Bar Admission Course and the Faculty of Law of Université de Moncton. She sits on the boards of several community organizations.

Residence: Moncton
Appointed: 15 July 2008
Term expires: 14 July 2011

Professional and industry experience:

- Commercial law
- Commercial litigation
- Administrative law
- Adjudicator

Education:

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

JAMES E. LOCKYER, Q.C.

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

Residence: Moncton
Appointed: 15 November 2007
Term expired: 31 October 2010

Professional and industry experience:

- Administrative law
- Tribunal member

Education:

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

MANAGEMENT'S RESPONSIBILITY LETTER

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

The New Brunswick Securities Commission maintains an accounting system and related controls designed to provide the Commission with reasonable assurance that reliable financial information is available on a timely basis. The members of the Commission ensure that management fulfills its responsibility for financial information and internal control.

The financial statements and Annual Report have been reviewed by the Audit Committee and approved by the Commission. The report of the Auditor General of New Brunswick outlines the scope of the Auditor's examination and opinion on the financial statements.

"Original signed by"

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

"Original signed by"

Kenrick G. Hancox
Executive Director

"Original signed by"

Pierre Thibodeau
Acting Chief Financial Officer and Senior Securities Analyst

AUDITOR GENERAL LETTER



Auditor General of New Brunswick

INDEPENDENT AUDITOR'S REPORT

Chairperson and Members
New Brunswick Securities Commission

Report on the Financial Statements

I have audited the accompanying financial statements of the New Brunswick Securities Commission, which comprise the balance sheet as at March 31, 2011, and the statements of fund balances, income and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, 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 audit. I conducted my audit in accordance with Canadian general 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, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Kim MacPherson, CA
Auditor General

Fredericton, N.B.
June 20, 2011

MANAGEMENT DISCUSSION AND ANALYSIS

**For the fiscal year ended 31 March 2011
Dated 20 June 2011**

The following discussion and analysis provides a summary of the operating results for the New Brunswick Securities Commission for the year ended 31 March 2011. 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 F2011, means the fiscal year ending 31 March 2011.

Assumptions made throughout this section, although reasonable at the date of publication, are not a guarantee of future performance. Certain statements outlining F2012 expectations are forward-looking and subject to risks and uncertainties.

OVERVIEW

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

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

The Commission budgets to generate a surplus with a planned distribution of surplus operating funds to the Government of New Brunswick. The surplus generated in the fiscal period F2011 exceeded the budgeted amount.

SELECTED FINANCIAL INFORMATION

	Budget F2011	Actual F2011	Actual F2010	Actual F2009
Revenue	\$11,135,050	\$12,304,467	\$11,543,942	\$11,244,220
Expense	5,476,230	5,208,294	5,151,230	5,095,168
Excess of revenue over expenses	5,658,820	7,096,173	6,392,712	6,149,052
Total assets		4,172,067	3,646,529	4,169,417
Total liabilities		805,902	752,204	2,202,661
Total funds' balance	1,928,812	3,366,165	2,894,325	1,966,756
Distributions to government	\$6,624,333	\$6,624,333	\$5,465,143	\$6,570,382

REVENUES

The Commission's revenues consist of:

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

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

Our fee revenues fluctuate with market activity. We are most dependent on fees paid by mutual funds which distribute securities and file their financial statements with us. Of the 4,289 reporting issuers in New Brunswick, about 2,932 or 68% are mutual fund issuers. Revenue generated by the mutual fund industry in the year included approximately: \$5.7 million from prospectus filings; \$476,200 from financial statement filings and annual information forms; and approximately \$900,000 from MFDA members' registration fees. These fees total \$7.1 million or 58.4% of total fee revenue.

MANAGEMENT DISCUSSION AND ANALYSIS

ANALYSIS OF TOTAL REVENUE

Category	Description	F2011 Amount	F2011 % of Revenue	F2010 Amount
Distribution fees	Paid by securities issuers when filing distribution documents.	\$6,598,150	53.6%	\$6,421,950
Distribution fees for F2011 are up \$176,200 or 2.7% from F2010. These fees are primarily prospectuses filed by mutual funds and companies. Mutual fund filings comprise about 85% 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.	3,574,200	29.0	3,082,200
Registration fees for F2011 are showing the most significant increase from F2010 (\$492,000 or 16%), individual registration account for the majority of this 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.	1,927,500	15.7	1,830,250
Financial filing fees are up 5.3%. 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.	43,051	0.3	74,500
Other fees	Paid by market participants for late filing and other miscellaneous fees.	31,300	0.3	30,584
Total fees		12,174,201	98.9	11,439,484
Administrative penalties and settlements	Paid subsequent to a hearing panel ruling.	31,000	0.3	7,500
Administrative penalties and settlements are an unbudgeted revenue sources and are subject to enforcement and hearing panel activity. There were two hearing panel decisions that met the threshold of our revenue recognition policy during the year. One other decision totalling \$8,000 was not fully recognized, only \$1,000 was recognized. Receipts from administrative penalties are for the benefit of the Market Enhancement Reserve, which is described further on page 37.				
Disgorged funds	Paid subsequent to a hearing panel ruling.	45,000	0.4	12,000
Enforcement cost recoveries	Paid subsequent to a hearing panel ruling.	9,000	0.1	1,000
Investment income	Earned on cash balances.	39,576	0.3	10,198
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 conference fees.	5,690	0.0	73,760
Total revenue		\$12,304,467	100.0%	\$11,543,942

MANAGEMENT DISCUSSION AND ANALYSIS

Expense Summary

Expense	Actual versus budget			
	F2011	Budget	\$ Diff	% Diff
Salaries and benefits	\$3,483,015	\$3,698,810	\$(215,795)	-5.8%
Administration*	888,075	899,590	(11,515)	-1.3
Market enhancement	47,225	45,000	2,225	4.9
Disgorged funds	45,000	12,000	33,000	275.0
Professional services	128,686	206,500	(77,814)	-37.7
Travel	187,455	174,700	12,755	7.3
CSA initiatives	60,915	70,000	(9,085)	-13.0
Premises	279,508	274,630	4,878	1.8
Amortization	88,415	95,000	(6,585)	-6.9
	\$5,208,294	\$5,476,230	\$(267,936)	-4.9%

*See note 15 to the financial statements for greater detail.

Expense	Actual versus last year			
	F2011	F2010	\$ Diff	% Diff
Salaries and benefits	\$3,483,015	\$3,405,761	\$ 77,254	2.3%
Administration*	888,075	715,251	172,824	24.2
Market enhancement	47,225	239,535	(192,310)	-80.3
Disgorged funds	45,000	12,000	33,000	275.0
Professional services	128,686	169,427	(40,741)	-24.0
Travel	187,455	177,633	9,822	5.5
CSA initiatives	60,915	54,827	6,088	11.1
Premises	279,508	277,676	1,832	0.7
Amortization	88,415	99,120	(10,705)	-10.8
	\$5,208,294	\$5,151,230	\$ 57,064	1.1%

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 1.1% or about \$57,000 in F2011 to total \$5,208,294. This is \$267,936 (4.9%) less than the budgeted expense of \$5,476,230.

Salaries and benefits expenses account for 66.9% of operating costs (66.1% in F2010) and increased \$77,254 from F2010. Increases were the result of staff additions and annual salary increments. There were 34 staff on payroll at year-end (36 prior year) and on an annualized or person-year basis, there were 35.4 person-years of employment in F2011 (34.5 in

F2010). Compensation was less than budget because of a vacancy of 1.8 positions from budget and because a budgeted cost of living adjustment was not implemented.

Administration expenses account for 17.1% of operating costs for F2011 (13.9% in F2010) and were \$172,824 higher than the prior year. These costs include information technology, training, communication, printing, advertising and other general office expense items. The *Invest in Knowing More* campaign was the largest expense for this category at \$258,124 (\$172,173 in F2010). These costs included the development and placement of television, radio, internet, print, billboard and bus shelter advertisements. Information technology costs were \$161,344 (\$137,139 in F2010) during the period, which were used for network support, data security and back-up, website costs and software licenses.

Market Enhancement expense was down \$192,310. A budgeted *Fullsail* conference did not take place in F2011. Market Enhancement expense consists of our contribution to the *ABCs of Fraud* program of \$47,225 (\$46,495 in F2010).

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, \$45,000 was expensed to be provided to nine investors.

MANAGEMENT DISCUSSION AND ANALYSIS

Professional services expenses decreased by \$40,741 year over year. A salaries and benefits review was the largest expense item for this category (\$41,630). Other initiatives that had associated fees were translation, legal and transcription expenses.

Travel costs were \$9,822 higher than the prior year and represented 3.6% 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 \$6,088 from the prior year to total \$60,915 in F2011. 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 2.1% of the total costs as its share.

Premise costs increased by about \$1,832 (0.7%). This represents 5.4% of total expenses. The increase in premise costs was primarily attributable to parking and operating cost chargeback increases. The office lease expires in February 2016.

Amortization expenses decreased by \$10,705. The largest depreciable asset involves leasehold improvements, which are being amortized over ten years for the original space and about eight years for the additional space acquired in F2009. This accounts for about 63% (\$55,916) of the total expense. Furniture, information technology hardware, information technology software and vehicle assets make up the remainder of the amortization expense.

MARKET ENHANCEMENT RESERVE

This year no funds were transferred from the Market Enhancement Reserve towards eligible expenses. As required by the *Securities Act*, funds in the Market Enhancement Reserve are to be spent only on endeavours or activities that enhance the capital markets in New Brunswick. The funds associated with the reserve are maintained in a separate bank account and generate their own bank interest. In F2011, administrative penalties totalling \$31,000 were assessed and determined to be collectible (\$7,500 in F2010). A further \$7,000 in administrative penalties was assessed in the year, but is not reflected on the financial statements as there is a reasonable probability that the amount will be uncollectible.

DISPOSITION OF SURPLUS OPERATING FUNDS

The Commission made total payments of \$6,624,333 to the Government of New Brunswick during the year. The payment amount is calculated annually and is included in our strategic business plan. The total contribution included a budgeted amount of \$5,250,000 as well as an additional \$1,374,333 that represents the balance of the general surplus as at 31 March 2010. The contribution is payable each year provided that doing so does not impair the ability to pay liabilities, meet obligations as they become due or fulfill contractual commitments. Since the Commission was established in July 2004, contributions of \$40,235,731 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 \$7,231,354. The combined cash balance at year end was \$3,818,095. This includes amounts from the Commission's reserves.

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

MANAGEMENT DISCUSSION AND ANALYSIS

The Commission has policies and processes in place to manage and control these risks. Key components include:

- Commission members operating as a board of directors who place a priority on sound corporate governance;
- an active and effective Audit Committee;
- a strong internal control environment;
- an annual review of internal controls and legislative compliance;
- an annual review of risks facing the Commission; and
- the effective communication of policies to staff and new members on matters such as conflict of interest and code of conduct with various channels for reporting concerns.

REPUTATION RISK

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

PEOPLE RISK

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

SECURITIES REGULATORY REFORM

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

FEE REVENUE

The Commission funds operations primarily from filing fees paid by market participants. Fee revenue is generally not sensitive to market conditions.

NATIONAL ELECTRONIC FILING SYSTEMS

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

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

Over 98% of fee revenue is collected through SEDAR and NRD. CDS maintains a comprehensive business continuity plan for each system and the CSA requires an Auditors' Report on Controls Placed in Operation (CICA Handbook section 5970). Should CDS become unable or unwilling to continue to operate these systems, the CSA would have to contract with another party. This represents a revenue and regulatory risk as the systems facilitate effective and efficient regulatory processes. However, the CSA has a robust governance and management structure to manage this risk.

CRITICAL ACCOUNTING ESTIMATES

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

The Commission accrues amounts due when they meet generally accepted revenue recognition criteria. During the fiscal period F2011, a total of \$7,000 of administrative penalties and \$2,000 in awarded costs were not recognized as revenue as the amounts appeared to be uncollectible.

MANAGEMENT DISCUSSION AND ANALYSIS

CHANGES IN ACCOUNTING POLICIES

Management is responsible for selecting the significant accounting policies and preparing the financial statements, including the accompanying notes, in accordance with Canadian generally accepted accounting principles (GAAP). The significant accounting policies and their applications have not changed. There were no new accounting or reporting standards introduced in F2011 that would materially impact our statements.

Canadian publicly accountable enterprises must adopt International Financial Reporting Standards (IFRS) for fiscal years beginning on or after 1 January 2011. Reporting issuers will be required to provide IFRS comparative information for the previous year. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences on recognition, measurement and disclosures.

The Commission intends to use IFRS standards for its financial reporting for the F2012 fiscal year over the alternative public sector accounting standards.

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

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

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

F2012 OUTLOOK

Budgeted revenue is \$11.67 million for F2012. This represents a decrease of about 5.1% from F2011 actual revenue of \$12.3 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 F2012 budget, and the close of the F2011 fiscal year.

Operating expenses are budgeted to be \$5.4 million for F2012. This represents an increase of \$220,000 over F2011 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, however.

The budgeted subsequent surplus for F2011 is about \$771,000, after the budgeted contribution of \$5.5 million to the Government of New Brunswick. This contribution is \$250,000 higher than the budgeted amount in the prior year.

MD&A SUPPLEMENT - COMPENSATION DISCLOSURE SENIOR MANAGEMENT REMUNERATION

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	108,791 - 136,213
General Counsel and Secretary to the Commission	108,791 - 136,213
Director, Regulatory Affairs and Chief Financial Officer	108,791 - 136,213
Director, Enforcement	93,236 - 116,546
Director, Education & Market Development	93,236 - 116,546

BALANCE SHEET

As at 31 March 2011

	2011	2010
ASSETS		
Current Assets		
Cash (Note 6)	\$ 2,260,695	\$ 1,691,082
Accounts receivable	27,010	53,607
Prepaid expenses	48,036	57,934
	2,335,741	1,802,623
Investments held for designated purposes (Note 6)	1,557,400	1,519,992
Capital assets (Note 8)	278,926	323,915
	\$ 4,172,067	\$ 3,646,530
LIABILITIES AND FUND BALANCES		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 191,011	\$ 176,623
Accrued salaries and benefits	130,872	168,570
Accrued benefit liabilities (Note 12)	30,147	15,651
Accrued vacation liabilities	27,870	25,144
	379,900	385,988
Accrued benefit liabilities (Note 12)	426,002	366,217
Total liabilities	805,902	752,205
Fund balances		
General	1,808,765	1,374,333
Fee stabilization reserve (Note 7)	1,500,000	1,500,000
Market enhancement reserve (Note 7)	51,400	19,992
Disgorgement reserve (Note 7)	6,000	-
	3,366,165	2,894,325
	\$ 4,172,067	\$ 3,646,530

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

APPROVED BY THE COMMISSION

"Original signed by"

David G. Barry
Chair and Chief Executive Officer

"Original signed by"

Kenneth Savage
Member

INCOME STATEMENT

For the year ended 31 March 2011

	2011	2010
REVENUE		
Fees		
Distribution of securities	\$ 6,598,150	\$ 6,421,950
Registrations	3,574,200	3,082,200
Financial filings	1,927,500	1,830,250
Exemptions and orders	43,051	74,500
Other	31,300	30,584
Administrative penalties and settlements	31,000	7,500
Disgorged funds	45,000	12,000
Enforcement cost recoveries	9,000	1,000
Investment income	39,576	10,198
Miscellaneous	5,690	73,760
	12,304,467	11,543,942
EXPENSES		
Salaries and benefits	3,483,015	3,405,761
Administration (Note 15)	888,075	715,251
Market enhancement (Note 16)	47,225	239,535
Disgorged funds	45,000	12,000
Professional services	128,686	169,427
Travel	187,455	177,633
Canadian Securities Administrators' initiatives	60,915	54,827
Premises	279,508	277,676
Amortization	88,415	99,120
	5,208,294	5,151,230
EXCESS OF REVENUE OVER EXPENSES	\$ 7,096,173	\$ 6,392,712

STATEMENT OF FUND BALANCES

For the year ended 31 March 2011

	General	Fee Stabilization Reserve	Market Enhancement Reserve	Disgorgment reserve	Total
Balance, 31 March 2010	\$1,374,333	\$ 1,500,000	\$ 19,992	\$ -	\$ 2,894,325
Excess of revenue over expenses	7,096,173	-	-	-	7,096,173
Disposition of surplus operating funds (Note 10)	(6,624,333)	-	-	-	(6,624,333)
Investment income reallocation	(408)	-	408	-	-
Allocation (to) reserves (Note 7)	(76,000)	-	31,000	45,000	-
Allocation from reserves (Note 7)	39,000	-	-	(39,000)	-
Balance, 31 March 2011	\$1,808,765	\$ 1,500,000	\$ 51,400	\$ 6,000	\$ 3,366,165

STATEMENT OF CASH FLOWS

For the year ended 31 March 2011

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ 7,096,173	\$ 6,392,712
Adjustment for amortization - capital assets	88,415	99,120
Accrued benefit liabilities	59,785	48,531
Gain on disposal of capital asset	(2,477)	(1,766)
	7,241,896	6,538,597
Changes in non-cash working capital		
Accounts receivable	26,597	(13,733)
Prepaid expenses	9,898	55,823
Accounts payable and accrued liabilities	14,388	(1,356,194)
Accrued salaries and benefits	(37,698)	25,478
Accrued vacation liabilities	2,726	(4,491)
Accrued benefit liabilities	14,496	(163,780)
	7,272,303	5,081,700
CASH FLOWS FROM FINANCING ACTIVITIES		
Disposition of surplus operating funds	(6,624,333)	(5,465,143)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of capital assets	(51,949)	(14,558)
Proceed on disposal of capital asset	11,000	7,066
	(40,949)	(7,492)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	607,021	(390,935)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,211,074	3,602,009
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 3,818,095	\$ 3,211,074
Represented by:		
Cash	\$ 2,260,695	\$ 1,691,082
Investments held for designated purposes	1,557,400	1,519,992
	\$ 3,818,095	\$ 3,211,074

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

1. Nature of the Corporation

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

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

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

2. Significant accounting policies

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

(a) Revenue recognition

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

Investment income is recorded on the accrual basis.

(b) Capital assets

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

- Office furniture and equipment: 4 years
- Information technology infrastructure: 3 years
- Software: 4 years
- Automobile: 5 years
- Leasehold improvements: over term of lease

(c) Use of estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions

that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

(d) Financial instruments and disclosures

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

(e) Financial assets and liabilities

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification. The classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Commission's designation of such instruments.

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

- i. Cash is classified as "held for trading". These financial assets, carried at fair value, are marked-to-market through net earnings each period end.
- ii. Accounts receivable are classified as "loans and receivables". After their initial fair value measurement, they are measured at amortized cost using the effective interest method less appropriate allowances for doubtful accounts, if any.
- iii. Accounts payable and accrued liabilities, accrued salaries and benefits and accrued vacation liabilities are classified as "other financial liabilities". After their initial fair value measurement, they are measured at amortized cost using the effective interest method.

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

International Financial Reporting Standards (IFRS)

The conversion to IFRS will be required, for the Commission, for its 2012 annual financial statements beginning on 1 April 2011. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences on recognition, measurement and disclosures. In the period leading up to the conversion, the Accounting Standards Board will continue to issue accounting standards that are converged with IFRS.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

2. Significant accounting policies (continued)

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

3. Financial Risk Management

Financial risk factors

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

Credit risk

The Commission's financial assets that are exposed to credit risk consist of cash, investments held for designated purposes and accounts receivable. This risk is minimal since the majority of the Commission's revenue is received when due. 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 fee stabilization reserve in place in the event that cash requirements exceed cash generated from operations.

Interest rate risk

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

4. Capital management

The Commission's objective when it manages capital is to ensure it continues as a going concern in order to fulfill its mandate. The Commission has established a fee stabilization reserve of \$1,500,000 to manage its capital risk. The Commission ensures that any payment of surplus funds will not impair the Commission's ability to pay its liabilities, to meet its obligations as they become due or to fulfill its contractual commitments.

5. Financial Instruments

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

6. Cash and investments held for designated purposes

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

7. Reserves

Fee Stabilization Reserve

The Commission has established a reserve consistent with 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.

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.

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.

8. Capital assets

	2011		2010	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Office furniture and equipment	\$ 145,137	\$ 131,293	\$ 13,844	\$ 28,895
Information technology infrastructure	123,504	108,229	15,275	6,920
Software	11,780	11,780	0	0
Automobile	32,682	6,536	26,146	8,523
Leasehold improvements	508,564	284,903	223,661	279,577
	<u>\$ 821,667</u>	<u>\$ 542,741</u>	<u>\$ 278,926</u>	<u>\$ 323,915</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

9. Change in accounting estimate

In 2011, the Commission reviewed the estimated useful life of the automobile included in capital assets. As a result of this review, the estimated useful life increased from 4 to 5 years. The impact in the year ended March 31, 2011 was to decrease the amortization expense by \$1,635. This change in accounting estimate has been accounted for on a prospective basis and will decrease amortization expense annually by \$1,635.

10. 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*.

11. 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 2011 amounted to \$1,249,813. 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:

2011-2012	257,366
2012-2013	253,906
2013-2014	253,214
2014-2015	253,214
2015-2016	232,113
Thereafter	0
Total	<u>\$ 1,249,813</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. A payment, if any, concerning this contingency will be accounted for in the period in which the payment occurs.

12. Employee future benefits

(a) Pension plan

The Commission provides pension benefits to its full-time employees through participation in the Public Service Superannuation Plan (the "Plan"), which is a multi-employer defined benefit pension plan. This plan is accounted for as a defined contribution plan, as the Commission has insufficient information to apply defined benefit accounting to this pension plan. Pension costs included in these financial statements comprise the cost of employer contributions for current service of employees during the year and additional employer contributions for service relating to prior years. For the year ended 31 March 2011, the Commission expensed contributions of \$197,641 (\$216,337 in 2010) under the terms of the Plan.

(b) Supplemental Pension Benefit

A retired Chair and 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 2011, the Commission expensed \$18,818 (\$9,985 in 2010) under the terms of the Supplemental Benefit Agreement and paid out benefits of \$14,347 (\$11,674 in 2010).

(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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2011

12. Employee future benefits (continued)

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 2011, the Commission expensed \$76,948 for this program (\$54,229 in 2010) and paid out benefits of \$7,138 (\$167,788 in 2010).

13. Senior management compensation

Position	Salary range (\$)
Chair and Chief Executive Officer	139,600 - 175,000
Executive Director	108,791 - 136,213
General Counsel and Secretary to the Commission	108,791 - 136,213
Director, Regulatory Affairs and Chief Financial Officer	108,791 - 136,213
Director, Enforcement	93,236 - 116,546
Director, Education and Market Development	93,236 - 116,546

14. Related party transactions

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

The Commission expensed \$155,456 (\$128,993 in 2010) during the reporting period on these services. As of 31 March 2011 an accounts payable of \$39,407 (\$57,358 in 2010) was owed to the Department of Justice and Consumer Affairs and is subject to normal terms. This amount is included in accounts payable and accrued liabilities.

The Translation Bureau for the Government of New Brunswick also provides translation services to the Commission that are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Total expenditures during the period were \$60,932 (\$19,024 in 2010). As of 31 March 2011 an accounts payable of \$11,615 (\$2,340 in 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. In addition to this amount, a total of \$21,983 (\$29,748 in 2010) of translation services was provided without charge to the Commission.

15. Administration

	2011	2010
Fostering capital markets	\$ 5,887	\$ 11,773
Investor protection and education	411,839	294,940
Members and staff development	141,099	104,392
Payment to Department of Justice and Consumer Affairs under Agreement	35,000	30,000
Information technology	161,344	137,139
Other administration	132,906	137,007
	<u>\$888,075</u>	<u>\$715,251</u>

16. Market Enhancement

	2011	2010
Contribution for <i>ABCs of Fraud</i>	\$ 47,225	\$ 46,495
<i>Fullsail</i>	0	193,040
	<u>\$ 47,225</u>	<u>\$239,535</u>