

Educating
investors
to make
informed
decisions

2010 Annual
Report



THE MANITOBA
SECURITIES
COMMISSION

Mission

The mission of The Manitoba Securities Commission is to protect and promote the public interest by facilitating dynamic and competitive capital and real estate markets that contribute to the economic development of Manitoba while fostering public confidence in those markets.

Mandate

The mandate of the Commission is to act in the public interest to protect Manitoba investors and to facilitate the raising of capital while maintaining fairness and integrity in the securities marketplace. Similarly, its real estate industry mandate is to regulate brokers, salespeople and mortgage dealers to ensure adequate standards are maintained for the protection of the public.



THE MANITOBA
SECURITIES
COMMISSION

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MINISTER OF
FINANCE

Legislative Building
Winnipeg, Manitoba, CANADA
R3C 0V8

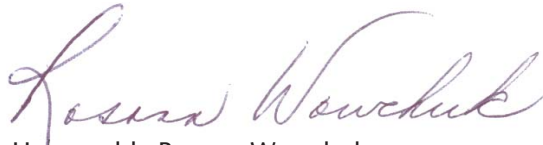
LETTERS OF TRANSMITTAL

His Honour the Honourable Philip Lee, P.C., O.M.
Lieutenant Governor of Manitoba
Room 235, Legislative Building
Winnipeg, Manitoba
R3C 0V8

May it Please Your Honour:

I have the privilege of presenting for the information of Your Honour the Eleventh Annual Report of The Manitoba Securities Commission for the fiscal year ended March 31, 2010.

Respectfully submitted,



Honourable Rosann Wowchuk
Minister





THE MANITOBA
SECURITIES
COMMISSION

Honourable Rosann Wowchuk
Minister of Finance
Room 103 Legislative Building
Winnipeg, Manitoba
R3C 0V8

Dear Minister Wowchuk:

I have the honour to submit for your consideration the Eleventh Annual Report of The Manitoba Securities Commission for the fiscal year ended March 31, 2010.

Respectfully submitted,

Donald G. Murray
Chair
The Manitoba Securities Commission





Report from the Chair

National Initiatives

While investment markets have largely rebounded from the downturn of 2008/09 the recovery is far from certain and investors worldwide have had their confidence shaken in the markets and the systems that govern them. There has been a demand for change to ensure that the same issues don't arise again to cause the same problems. The member jurisdictions of the Canadian Securities Administrators (CSA) continue to work together and on an international basis to assist with the development and implementation of the G20 and IOSCO regulatory initiatives. Specifically in Canada, the Registration Rule was finalized and implemented in September 2009 and is operating under the Passport System. While the CSA jurisdictions strive for harmonization of rules, Manitoba, along with other western provinces and the territories determined that it was advisable for the effective operation of their capital markets to maintain certain exemptions that the Registration Rule would otherwise remove. This was done without affecting the operation of the Rule in other provinces. The ability to work within a national system while at the same time maintaining jurisdiction over markets locally is one of the strengths of the CSA and its regulatory system.

We continue, along with our regulatory colleagues and the accounting industry, to move toward the changeover from Canadian accounting and auditing standards to IFRS and International Standards on Auditing. The new standards are scheduled to be in place as of January 1, 2011 and issuers and audit firms have been hard at work in preparation. MSC staff has taken the necessary steps to ensure that our legislation is compatible with the new rules.

When dealing with national or regulatory issues reference must be made to the stated intention of the Government of Canada to establish a single national securities regulator. Earlier this year a proposed Canadian Securities Act was referred to the Supreme Court of Canada for a determination of its constitutional validity. The provinces of Quebec and Alberta are also proceeding with references to their respective appeal courts. The Government of Manitoba supports the retention of provincial jurisdiction in securities regulation and, along with Quebec and Alberta, is taking part in the Supreme Court of Canada reference case in opposition to the federal government's plans.

The federal timetable calls for a national regulator to be in place for participating provinces by July, 2012. CSA members of participating jurisdictions are going to be asked to provide staff to the Canadian Securities Transition Office to further this endeavour. Whether the federal schedule can be achieved by the announced date, or at all remains to be seen. However, it is important for all Canadian jurisdictions to keep a critical mass of experienced staff on task in policy development and implementation of CSA projects to ensure regulation of the Canadian markets is not affected negatively.

Local Initiatives

The Commission continued to refine its continuous disclosure review program, meeting the goals set in order to keep pace with our regulatory colleagues. In addition, the program of compliance examinations

of registrants was expanded. As well, the operations of scholarship dealers conducting business in Manitoba were reviewed. In this year compliance staff implemented a program of visits to the operations of new registrant firms which was intended to provide staff with necessary information and also assist these new firms in understanding their regulatory responsibilities in Manitoba. Compliance staff also participated in multi-jurisdictional reviews of the SROs recognized by the MSC.

In the area of education and communications, the successful Make it Count Program, developed in Manitoba, was rolled out across the country with the participation of other CSA jurisdictions. This program has now been modified for instructors to use in Manitoba schools and other teaching environments. In addition, staff began working with MSC's consultants developing a program on recognizing scams. This program is scheduled to be implemented in the next fiscal year.

During 2009/10 MSC enforcement staff cooperated actively with representatives of other law enforcement agencies operating in Manitoba to develop natural synergies between the parties and share information on cases and trends to monitor and act upon. This group meets regularly at the MSC offices.

As of March 31, 2010, the Commission completed the seventh cycle of operation of its performance measurement system and was successful in meeting the majority of its stated goals. Our further report is set out in Part IV.

Real Estate

The Mortgage Brokers Act, which arose out of staff consultations with industry and legislative counsel, was passed in 2009. Work continues on finalizing the regulations. In addition, the electronic registration project was finalized and implemented allowing real estate market participants to register with the MSC on-line. Also, real estate division staff assisted in planning and conducting broad public and industry consultation on the recommendations for improving disclosure in real estate transactions set out in the Neufeld Report received November, 2009. The MSC's report on these consultations is expected to be completed during the summer of 2010.

Sustainable Development

The Sustainable Development Act was enacted for the purpose of promoting and implementing sustainable development in the provincial public sector, private industry and society in general. Principles and guidelines have been developed to assist departments and agencies in instituting objectives, integrating them into operations and reporting on their development. The Commission remains committed to sustainable development.

Operating in an office environment, the Commission procures a variety of recycled items including paper products and various other office materials. The Commission intends to maintain a sustainable development process that is continuous and balanced.

Acknowledgements

As in past years the Commission is appreciative of the efforts of its three advisory groups being the Securities Advisory Committee, the Real Estate Advisory Council and Real Estate Advisory Committee. The members of these committees volunteer their time to both divisions of the operation and their work provides a benefit to the Commission staff as well as to the industry and public served by the Commission.

The part time members of the Commission provide input and oversight in the development of policy and preside over applications and disciplinary hearings. We are fortunate in having a seasoned group of Commissioners who continue to apply their knowledge, good judgment and a steady hand in furthering the Commission's goals and operations.

The last word in this report is always an acknowledgement of the hard work and professionalism of MSC staff. It is not because they are last to mind. Quite the contrary, our dedicated staff is the greatest asset at the MSC. Regardless of changing conditions and workload and in the face of significant outside distractions, our staff have been and continue to be steadfast in their commitment to the job at hand of market oversight and investor protection. It is appreciated.

Donald G. Murray
Chair
The Manitoba Securities Commission

Part I

Commission Overview



The Manitoba Securities Commission (“the Commission”) is responsible for administering and enforcing *The Securities Act*, *The Commodity Futures Act*, *The Real Estate Brokers Act* and *The Mortgage Dealers Act*. The Commission was structured in its present form in 1968. The Commission became a Special Operating Agency on April 1, 1999.

A reference to “the Commission” can mean either of two distinct yet connected bodies. These are:

1. The administrative or functional arm which is made up of full-time employees who conduct the day-to-day operations; and
2. The policy making group made up of a maximum of seven order-in-council appointees who meet regularly (the “Commission members”).

Administrative Arm

The administrative arm of the Commission is comprised of two operating divisions, the securities division and the real estate division, consisting of 37 permanent full-time staff positions all of which were filled as of March 31, 2010.

Securities Division

The securities division is organized into the following seven operational sections:

Investigations

There are four staff in this section being the Manager of Investigation, two investigators and one administrative support staff. The investigation section receives inquiries and complaints, conducts investigations and assists legal staff in the preparation of matters for hearings. The members of the investigation section report to the Director of Legal, Enforcement and Registrations.

Legal

The legal section is comprised of the Deputy Director - Legal, two legal counsel and one and one-half administrative support staff. The legal section provides legal advice to the Commission members and all other functional sections of the Commission, takes part in policy development and the creation of educational materials, presents applications to Commission meetings and prepares and argues enforcement cases at Commission hearings and in court. The members of the legal section report to the Director of Legal, Enforcement and Registrations.

Registration

The registration section is made up of the Deputy Director - Registrations and four full-time registration clerks. This section is responsible for the registration of firms and individuals operating in the investment markets in Manitoba. The members of the registration section report to the Director of Legal, Enforcement and Registrations.

Compliance

The Compliance section is made up of the Senior Compliance officer, Compliance officer and one administrative support staff. The Compliance section supports the registration function by conducting compliance audits of the industry. This position also assists in the investigation and legal functions of the Commission by analyzing financial and trading information arising from investigations or from claims made by investors for compensation for financial loss. These staff members report to the Director of Legal and Enforcement and Registrations.

Corporate Finance and Continuous Disclosure

There are five staff members in this section being senior analyst, analyst, administrative assistant, corporate finance clerk and continuous disclosure clerk. The analysts are professional Accountants. This section reviews and monitors offering documents and applications, as well as continuous disclosure filings of reporting issuers. It also takes part in policy development and makes presentations at Commission meetings. Staff in this section report to the Director of Corporate Finance and Chief Administrative Officer, who is also a professional Accountant.

Finance and Administration

There are five staff members assigned to this section including the controller (a professional Accountant), an accounting clerk, a web developer/analyst, a receptionist and an administrative clerk. This section, in consultation with management, prepares the Commission's budgets and financial reports and develops and implements office and personnel policies for both the securities and real estate divisions. Staff in this section report to the Director of Corporate Finance and Chief Administrative Officer.

Education/Information

The Manager, Education and Communications and one administrative support staff are assigned to this section. The Manager, Education and Communications, who has a Bachelor of Education and a Certificate in Management, is responsible for the development and implementation of educational programs and internal and external communications for the general public, industry and staff. The Education and Communications Manager reports to the Chair.

Additional Staff

There is an additional full time staff position, being an Administrative Assistant reporting directly to the Chair.

Real Estate Division

The real estate division is made up of the Registrar, Deputy Registrar - Registrations, Deputy Registrar - Compliance and two administrative support positions. The real estate division is responsible for the administration of *The Real Estate Brokers Act* and *The Mortgage Dealers Act* and, in general, the regulation of the real estate industry in the Province of Manitoba. Employees in this section report to the Registrar.

Management

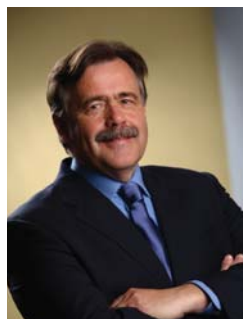
Both Directors of the securities division and the Registrar of real estate report directly to the Chair, who is the Chief Executive Officer of the Commission. This group comprises the senior management team. In addition there is an extended management committee which has membership from all operational areas.

Commission Members

In addition to the Chair there are a maximum of six part-time Commission members. The Commission meets regularly (usually weekly) to deal with policy and regulatory formulation, applications seeking exemptions from the requirements of regulation, and to consider whether it is in the public interest to grant various types of orders authorized by legislation. Commission members also perform a quasi-judicial function by sitting as adjudicators in Commission hearings. The Chair presides at meetings of the Commission.

The Chair of the Commission reports to the legislature through the office of the Minister of Finance.

During 2009/10 the Commission Members were as follows:



Donald G. Murray (Chair)

Appointed to the Commission in 1993, Mr. Murray spent 20 years in the private practice of law. In 1994, he was appointed Vice Chairman and became Chairman in 1997. As Chair and CEO, Mr. Murray chairs the meetings of the Commission, sits on hearing panels and represents the Commission as the Manitoba representative at the meetings of the Canadian Securities Administrators (CSA) and North American Securities Administrators Association (NASAA). He is the Vice-Chair of the CSA and is a former member of Board of Directors of NASAA.



Lynne M. McCarthy (Vice-Chair)

Appointed to the Commission in 1994, Ms. McCarthy has a Master of Business Administration degree from the University of Western Ontario and the Chartered Financial Analyst designation. Ms. McCarthy has over 20 years of experience in institutional investing.



Kathleen E. Hughes

Kathleen Hughes worked for the Department of Justice, Court Services for 20 years. She was formerly the Legal Information Services Coordinator for Manitoba Law Libraries Inc. Ms. Hughes was previously a member of The Manitoba Securities Commission 1975-81. She has been involved in various volunteer boards and committees. She was appointed to the Commission in 2002.



Donald H. Smith

Appointed to the Commission in 2003, Mr. Smith is a Chartered Accountant with over 20 years experience in entrepreneurial and financial advisory services. Previously a chief executive officer of corporations providing a variety of financial services, he is currently president of a vehicle leasing company.



James W. Hedley

Jim Hedley was appointed to the Commission on July 15, 2006. He has practiced law, in a variety of fields for over 30 years. He has been active in recent years with arbitration and adjudications for The Law Society of Manitoba and the Sport Dispute Resolution Centre of Canada. His public service activities have included roles as president of Special Olympics Manitoba, of which he was also a co-founder, and the Manitoba Sports Hall of Fame and Museum.



Glenn J. Lillies

Glenn Lillies was appointed to the Commission on November 15, 2006. Mr. Lillies is a Chartered Accountant who retired as a partner with KPMG after 30 years in public practice. He was also employed with The Manitoba Securities Commission for four years as a Compliance Auditor. He donates his time as the treasurer of several service organizations.



Gerald Posner

Gerald Posner was appointed to the Commission on September 19, 2007. He has been a lawyer practicing in the Provinces of Manitoba and Ontario for 40 years in the areas of real estate and estate planning. He served on the board of Riverview Hospital and as well is the past President of the Jewish Heritage Centre of Western Canada.

Advisory Groups

Securities Advisory Committee

The Committee was established by the Chair of the Commission to meet when required to provide advice on regulatory matters. The Committee has provided advice on new policy initiatives developed by the Commission. The Committee has also been called upon to advise on changes within the industry and how the Commission can best deal with those changes.

- Dave Cheop, Investors Group Inc.
- Ken Cooper, formerly Winnipeg Stock Exchange
- Linda Vincent, ICE Futures (Canada)
- Mike Guttormson, James Richardson & Sons, Limited
- Bruce Jack, Deloitte & Touche
- Tom Kormylo, Pitblado
- Tony Catanese, PricewaterhouseCoopers
- Ron Coke, Taylor McCaffrey
- Patrick Cooney, Jory Capital Inc.
- Bruce Thompson, Thompson Dorfman Sweatman (Alternate)

Real Estate Advisory Council

The Real Estate Advisory Council is a non-statutory advisory body established by the Commission and The Manitoba Real Estate Association. The Mandate of the Council is to advise and make recommendations to the Commission and MREA on real estate issues; to review mutually beneficial ideas, policies or legislative reform; and give early warning or advance notice to the Commission of trends or developments arising in the real estate industry.

- Brad Walker, Chairman, Broker, Gill & Schmall Agencies, Neepawa
- Claude Davis, Broker, Royal LePage Dynamic Real Estate
- Rick Preston, Broker, Royal Lesage Dynamic Real Estate
- Tom Fulton, Broker, Re/Max Performance
- David Powell, Broker, Powell Property Group
- Robert Giesbrecht, President, Canadian Condominium Institute (Manitoba Chapter)
- Robert F. Shaer, Broker, Professional Property Managers' Association
- Robert L. Tyler, Solicitor, The Manitoba Bar Association
- Brian Collie, Executive Director, Manitoba Real Estate Association
- Bill Baluk, Registrar, *The Real Estate Brokers Act*
Real Estate Advisory Committee

Real Estate Advisory Committee

The Real Estate Advisory Committee was established by the Real Estate Advisory Committee Regulation (Manitoba Regulation 593/88) under *The Real Estate Brokers Act*.

The Committee reviews and recommends projects to the Commission for funding from the interest which the Commission receives from real estate brokers' trust accounts.

- John Froese, Chairperson, Royal LePage Prime Real Estate
- Ernie Friesen, broker, Re/Max Executives Realty
- Ray Brownlee, Century 21 West-Man Realty Ltd., Brandon
- Ute Vann, salesperson, Royal LePage Dynamic Real Estate
- Ken Trinkl, retired, member of the public

Part II

Securities



Overview

The operational sections of the Commission work in eight functional areas. They are:

1. Registration;
2. Compliance;
3. Corporate Finance and Continuous Disclosure;
4. Private Placement and Exempt Offerings;
5. Exemption Orders;
6. Legislation and Policy Development;
7. Investigation and Enforcement;
8. Education and Information.

Each functional area carries unique duties and responsibilities the performance of which requires a high degree of co-operation and co-ordination among the operational sections.

Registration

The Registration section reviews and determines whether it is in the public interest to register a person or company to trade or advise in the trading of securities or commodity exchange contracts. In general terms there are three situations where the registration section considers whether a registration is in the public interest:

- When an applicant initially applies for registration the applicant must meet educational requirements, individuals must be supervised and companies must meet capital requirements.
- When information comes to the attention of staff that raises a question whether continued registration is not in the public interest, a decision can be made to impose terms and conditions on the registration. Alternatively, the matter can be referred to enforcement to commence a hearing to determine whether the registration should be suspended or cancelled.
- When a registrant requests a transfer of his or her registration. In most cases a transfer of an individual's registration from one company to another can be completed quickly. However, in cases where there is information to suggest there is a problem with the conduct of a registrant, the registration section can either refuse the transfer, or impose a requirement that the individual be more closely supervised until it can be determined whether there should be a hearing to determine if the individual's registration should continue.

The number of businesses and individuals registered continues at high levels. This reflects the strength of firms headquartered in Manitoba as well as the commitment of firms based in other jurisdictions to offer services to clients in Manitoba.

Number of registrations:

	2009-2010	2008-2009	2007-2008
The Securities Act	*15,518	16,833	16,498
The Commodity Futures Act	361	327	303

* Variance is due to the requirement of the "permitted individuals" under National Instrument 33-109 which came into effect September 28, 2009. The new requirements capture only the mind and management that directly influence the firm. Junior officers are no longer required to seek approval.

The registration section also continues to be involved in initiatives locally and through the Canadian Securities Administrators to improve the registration process. A National Registration Rule (National Instrument 31-103) is now in effect in all provinces and territories across Canada. This Rule harmonizes the requirements to obtain registration as well as ongoing business requirements.

National Registration Database

The National Registration Database (NRD) permits an individual or company to submit registration information and requests to the Commission and other Canadian securities regulators electronically using a secure Internet connection.

NRD has created efficiencies in the registration process through the single point of entry into the registration process and through an increased coordination of registration forms and procedures. These efficiencies have been achieved without compromising the Commission's ability to monitor and respond to activities in Manitoba markets.

Passport

A Passport system has been implemented in the registration area. Passport significantly improves the efficiency of the Canadian securities regulatory system by permitting one regulator to make a decision regarding registrations that has application in other provinces and territories. A firm or individual in Manitoba can apply to the Commission in Manitoba and obtain the necessary approvals to operate in other provinces and territories. There is no longer a need to obtain separate approvals from each province and territory.

Although the Ontario Securities Commission does not participate in the Passport system at this time, registration processes have been coordinated with Ontario to make the approval process required to access the Ontario market as efficient as possible.

Compliance

The Compliance section performs reviews of the operations of persons and companies registered with the Commission to ensure they are conducting business in a manner that does not pose a risk to the public. This is done through the review of financial reports submitted by registrants and by performing compliance examinations of offices of registrants. Compliance reviews are an effective way of identifying risks before there is a loss to investors. Compliance reviews may be conducted locally, or in cooperation with other securities regulators.

The Compliance section also assists in the investigation of complaints by providing financial analysis of trading records and other financial information. In addition, the compliance section provides a financial analysis of Investor Claims for Financial Loss, determining what dollar amounts can be presented to a hearing of the Commission.

The Compliance section also maintains contact with self regulatory organizations to conduct and coordinate compliance examinations. The Compliance section also oversees the operations of those organizations as required by the Act.

Six regular compliance examinations were conducted in 2009/2010 by the Compliance section. Compliance staff reviewed the operations of the scholarship dealers who have a presence in Manitoba. These reviews encompassed their operations in our province, and also examined a number of processes that are carried out at a firm's head office. During 2009, Compliance Staff also began conducting new registrant visits. These visits are essentially an abbreviated review, which gives Staff the opportunity to learn about the firm, and assists the firm in understanding their regulatory responsibilities. One new

registrant review was completed in 2009/2010. Staff also participated in various oversight reviews of the self-regulatory organizations that are recognized by the MSC in 2009/2010.

Corporate Finance and Continuous Disclosure

The Corporate Finance section reviews prospectus filings and rights offerings to ensure that they contain full, true and plain disclosure of all material facts necessary to make an informed investment decision. Multi-jurisdictional offering documents are reviewed in accordance with the Passport System. The Passport system improves the efficiency of the capital markets in that the issuer deals only with the principal regulator and receives one receipt with respect to its offering.

Reporting issuers are required to file continuous disclosure materials such as financial statements, management discussion and analysis, material change reports, proxy materials and annual information forms with the Commission. Securities legislation sets out the content requirements of these documents as well as the time periods in which they have to be filed.

Insiders of reporting issuers are required to file insider trading reports with the Commission within specified time frames, utilizing the System for Electronic Disclosure by Insiders (SEDI).

Continuous Disclosure Review Program

The Commission has implemented its own Continuous Disclosure Review Program and is participating with other members of the CSA in the development of a national program to ensure that all reporting issuers are subject to ongoing review, and that the reviews are performed efficiently and consistently. The CSA continues to work towards implementing a national continuous disclosure review program. Manitoba is one of the eight Passport jurisdictions participating in this program.

The focus on continuous disclosure filings reflects the fact that over 90% of all trades take place in the secondary market and the quality and timeliness of information disclosed to capital market participants by reporting issuers is of the utmost importance to the market. Commission staff continues to review prospectus offerings, but equal importance is placed on the review of continuous disclosure filings.

Insider Trading

SEDI provides easy public access to insider reporting information and also allows for effective and efficient monitoring of insider trading reporting activity to ensure that filings are in the proper form and content and are made in a timely fashion. For Manitoba reporting issuers, Corporate Finance staff ensures filings are form compliant, filed within required timelines and late filing fees are collected where required.

National Electronic Filing Systems

Corporate Finance staff continues to be involved with the maintenance and ongoing development of three electronic filing systems:

- SEDAR – a System for Electronic Document Analysis and Retrieval (SEDAR) has been in use since January 1, 1997 and provides for the electronic filing of securities-related documents with the Commission and other CSA jurisdictions. SEDAR allows for the efficient filing of documents with all regulators simultaneously and provides for secure electronic communication between issuers and regulators. SEDAR has greatly enhanced the efficiency of the Canadian capital markets and, when combined with the Passport system, has resulted in the Canadian capital markets being one of the most efficient in the world. In addition, through its website at www.SEDAR.com, it allows for the timely dissemination of information to the public.
- SEDI – Manitoba continues to participate in the ongoing maintenance of SEDI which is a national insider reporting database. The system provides ease of reporting to insiders and public access to insider trading information.
- National CTO database – Corporate Finance staff continue to participate with other CSA jurisdictions in the ongoing development and maintenance of a national cease trade order (CTO) database. This database has proven to be highly effective and allows members of the public and industry participants easy access to information relating to CTOs issued by securities regulatory authorities in Canada.

Policy Development

Corporate Finance staff was involved in the development and implementation of a number of significant national rules and policies dealing with such matters as:

- Point of sale for mutual funds;
- Proposed amendments to continuous disclosure rules and policies;
- Proposed amendments to prospectus rules and policies;
- The impact of the adoption of international financial reporting standards (IFRS) on securities legislation and market participants;
- Proposed amendments to prospectus rules with respect to pre-marketing and marketing;
- Proposed amendments to modernize investment fund rules and policies.

Corporate Finance staff is also involved in a new CSA Committee looking at systemic risk in the securities industry.

Filings Processed

Prospectus **	Prospectus Amendments	Annual Information Forms	Rights Offerings	Take-Over Bid Circulars
2005/2006 983	350	926	9	46
2006/2007 992	329	1487	13	82
2007/2008 933	167	1464	18	80
2008/2009 798	200	1335	21	65
2009/2010 853	244	1270	20	55

** Prospectus documents filed – A single prospectus filing may contain multiple issues (i.e.: a single mutual fund prospectus could contain as many as 100 funds).

As evidenced by the above table, the level of prospectus and continuous disclosure filings continues at a high level.

Private Placement & Exempt Offerings

The Commission recognizes the benefit to the Manitoba economy and the public in providing an environment that encourages the development of business and the need of those businesses to raise capital. The percentage of businesses that access financing through capital markets is consistently higher in Canada than in the United States, reflecting the importance of having rules that provide a variety of financing options to support new and developing businesses.

Where the size of the business or the amount of capital to be raised does not warrant the use of a prospectus, securities regulation provides ways to assist businesses and make new offerings of securities available to Manitobans.

The Act, regulations and rules provide exemptions from the requirement to use a prospectus and the requirement to trade in securities through someone registered under *The Securities Act*. They are based on the nature of the security sold, the dollar amount of the purchase, as well as the knowledge of the purchaser. Limited offering exemptions are based on an offering of securities being made to a limited, identifiable group of purchasers, and are used by new businesses that need capital to establish operations. Purchasers of securities in limited offering exemptions either have knowledge of the business they are investing in or are required to seek independent advice with respect to the investment prior to purchase.

The raising of capital in Manitoba can be done in various ways. Under Manitoba law options are available to market securities using requirements that have been in place for many years and that are unique to Manitoba. The Commission has been told by its stakeholders that these Manitoba options continue to provide methods to raise capital that balance the interests of businesses and investors.

Commission rules also provide capital raising options that are available throughout most of Canada. Using one of these rules permits a business to raise capital in a consistent manner in most provinces or territories. These rules are highly harmonized throughout Canada.

	2009/10	2008/09
45-106F1 Capital Raising Forms*	1288	1072
Offering Memorandum	101	42
Private Placement	1	1

(*This form is required to be filed with the Commission and sets out information about the business raising the capital as well as the capital raised during the offering.)

Exemptions and Orders

Exemption Applications

Applications are made to the Commission for exemptions from regulatory requirements in situations where the granting of an order is not contrary to the public interest. The Commission deals with national applications and local applications.

National and Regional Applications

The Commission is a participant in the Passport System for exemption applications. The Passport System permits an applicant to make a single application in multiple jurisdictions. The Principal Jurisdiction reviews the application, determines whether the relief requested in the application should be granted and issues a single decision document on behalf of all jurisdictions.

Manitoba Applications

The Commission continues to be supportive of local community-based projects that focus on businesses that will provide benefits to a community. While the Commission does not create business plans or proposals for local projects, staff works with applicants to satisfy themselves that each group has the tools required to raise capital in a manner that does not compromise the investor protection objectives of securities regulation.

The total number of orders issued under *The Securities Act* for fiscal 2009/10 are as follows:

ORDERS ISSUED	2009/10	2008/09	2007/08
Exemption Orders	26	21	52
Take-Over Bid Orders	0	4	32
Insider Reporting Orders	0	2	1
Financial Reporting Orders	98	94	140
Cease Trade Orders*	39	25	55
Miscellaneous Orders	26	75	39

(*Cease Trade Orders include both permanent and temporary orders)

Legislation And Policy Development

Laws and rules developed and administered by the Commission need to achieve a balance between investor protection and facilitating fair and efficient capital markets. As markets are constantly changing the Commission must continually monitor and review securities regulations. It is important to ensure that any new or revised requirements do not inadvertently create barriers to market activity in Manitoba, are unnecessarily inconsistent with other jurisdictions or create unacceptable levels of risk for investors.

Some of the projects the Commission has been involved in during 2009-2010:

Passport and Highly Harmonized Securities Legislation

Working with the Ministers responsible for securities regulation and their respective staff, the Commission and other members of the CSA have been active in the development of a passport rule to allow for “one-stop shopping” for issuers and registrants in Canada. The Passport System is now in place for registrations, continuous disclosure, prospectuses and discretionary exemptions.

Policy

On a local basis, the Commission continues to strive for policy development to benefit investors and maintain fairness in the marketplace. On a national basis, the Commission continues to work with other CSA jurisdictions on the implementation of new Point of Sale disclosure regime for mutual funds, amendments to continuous disclosure and prospectus rules, the modernization of investment fund regulation and the impact of IFRS on securities legislation.

The bulk of national policy development takes place through CSA staff committees. The Commission was represented in 2009/10 on numerous CSA Committees and continues its commitment in this regard.

Rules, Policies and Notices

The Commission has the legislative authority to enact rules that have the same force and effect as regulations under the legislation. In fiscal year 2009/10, most rules enacted by the Commission were national instruments representing rules implemented on a Canada-wide basis.

The Commission also issues Policies and Notices to give guidance to markets about the application of securities laws.

The Commission issued 70 rules, notices and policy statements during the period which reflects the continuing harmonization of securities rules and regulations across the country.

All rules, notices and policy statements that were published for comment or adopted by the Commission during the past year are posted on the Commission’s web site.

ICE Futures Canada Inc.

ICE Futures Canada, Inc. (ICE) is headquartered in Winnipeg and is the only agricultural futures exchange in Canada. ICE is registered as an exchange under *The Commodity Futures Act*. It is also recognized as a self-regulatory organization under the Act.

ICE Futures Canada Inc.

The Commission oversees the operations of the exchange to ensure its business is being conducted in a manner that meets or exceeds international standards. The oversight program of the Commission includes ongoing review of the operations of the exchange and its clearinghouse, review of rules and policies of the exchange and the review and monitoring of products offered by the exchange.

Investigation And Enforcement

Complaints & Inquiries

Staff investigates complaints and inquiries from the public. A complaint may relate to the conduct of a person or company registered to trade in securities or to trading activities of people not registered to trade securities in Manitoba. Complaints may also involve securities products that may or may not have been approved for trading in Manitoba.

As with any investigative agency, Commission staff must review all complaints received both on the basis of potential harm to the markets generally, and on the basis there may have been harm caused to an individual member of the public.

Commission staff will in many cases facilitate resolution of a complaint by speaking with both the securities firm and the client. In some cases, matters that relate to the conduct of a registrant are referred to a self-regulatory organization such as the Investment Dealers Association of Canada or the Mutual Fund Dealers Association for investigation and resolution.

During the fiscal year 2009/10 the number of complaints received relating to fraudulent schemes such as prime bank instruments and pension plan loans remained a concern. These illegal activities represent millions of dollars of illegal activity and continue to target all segments of the population. These fraudulent schemes continue to be a focal point in the Commission's public education initiative.

	2009-2010	2008-2009
Investigation and Enforcement Inquiries	472	424
Investigation files opened	60	59

Investigations

Once an investigation is commenced Commission staff attempt to gather evidence through witness interviews and through the obtaining of documents. In situations where this evidence cannot be gathered voluntarily, an investigation order can be issued to compel the production of evidence during an investigation.

Investigation staff also works closely with other regulators and law enforcement investigators. Commission investigators may be asked to gather evidence to assist in an investigation based in another jurisdiction. Investigations arising in Manitoba may also be coordinated with investigations occurring in other jurisdictions.

The Hearing Process

After a complaint has been investigated a determination is made whether there is sufficient evidence to justify holding a hearing before the Commission or to conduct a prosecution in Court.

The Commission conducts hearings:

- To review whether a person or company should continue to be registered;
- To review a decision made by the director;
- To determine whether to deny someone the right to trade securities;
- To decide whether trading of security should be halted;
- To determine whether a financial loss compensation order should be issued and/or whether an administrative penalty should be assessed;
- To determine whether someone should be prohibited from being a director or officer of an issuer.

The Commission, following a hearing, has also the ability to issue an order based on an order issued by another securities regulator. Staff of the Commission maintain close contact with all other Canadian securities regulators to identify cases where it would be appropriate to issue a reciprocal order in Manitoba. In 2009/2010, 34 reciprocal orders were issued by the Commission based on orders issued in other jurisdictions.

The Commission also conducts prosecutions in court where there is an allegation of a violation of a law administered by the Commission. A conviction for these offences can result in a fine or imprisonment. Commission hearings conducted in Provincial Court resulted in jail sentences being handed down to perpetrators in three cases during the fiscal year.

Concerning administrative hearings heard before a panel of the Commission during the year ending March 31, 2010, 31 Notices of Hearings were issued, 40 Orders were filed, two Settlement Agreements were completed and four Decision Documents published. In addition, Commission staff completed one provincial court hearing for breaches of *The Securities Act* and as of March 31, 2010, five additional provincial court hearings were pending.

Details of pending and completed Commission hearings and prosecutions are provided on the Commission's web site under the heading *Hearings & Proceedings*.

Financial Loss Claims

A member of the public who chooses to invest in securities accepts the risk that the market value of the investment may increase or decrease. The public does not invest with an expectation that there will be a decrease in the value of an investment caused by illegal or improper activity.

The Commission was the first in Canada to obtain authority in the legislation to order repayment to an investor for losses arising from illegal or improper conduct relating to the trading of securities, up to \$100,000 per claim. Reflecting the success of this process and the benefit it generates for consumers, in June 2009, *The Securities Act* was amended to increase the maximum amount of losses that can be claimed to \$250,000. This authority provides investors with an alternative to the civil court system and is a powerful tool for investor protection. By providing this option to investors, the investor and the subject of the Commission hearing can have all regulatory and financial loss matters dealt with in a single proceeding.

The ability of the Commission to order compensation to an investor also creates a strong incentive to resolve client complaints involving financial losses at an early stage, avoiding the need for the client to make a complaint to the Commission or spend money to have a matter determined by the courts.

The Commission publishes a report describing the number in status of claims under the heading “Protecting The Public” section of the Commission’s website at www.msc.gov.mb.ca.

Investor Alert

The Commission believes that informing investors is often the best way to avoid losses through illegal or improper trading of securities. The Commission will issue an Investor Alert in situations where it is necessary to warn the public about activities that may be illegal or that pose a risk to the public. An Investor Alert may be issued even though there has not been sufficient time to assemble the evidence required to commence a Commission hearing or court prosecution.

Investor Alerts are issued through media outlets and posted on the Commission web site. They are issued throughout Manitoba, but in some cases have been targeted to specific areas in the Province where the deemed improper activities are occurring. The Commission issued one Investor Alert in 2009/10.

Education and Information

Fiscal year 2009-2010 was a productive year for the education department. The Make it Count parent resource continued to be our most requested resource. The Guide provides activities, tips and tools to help parents incorporate money management lessons into their daily routine. The Parent Guide was adapted for use nationally and was officially launched in October 2009.

Concurrent with the launch of the national Make it Count Parent Guide in October was the MSC launch of the Make it Count Instructor’s Guide. Based on the Parent Guide, the Instructor Guide contains lesson plans, complete with discussion questions, classroom activities, material lists, extension activities and blackline masters. The following are distribution numbers for both guides for the fiscal year 2009-2010:

	Manitoba Securities Commission(MSC)	Canadian Securities Administrators (CSA)	Internationally
Parent Guides			
- English	3000	6500	250
- French	16	302	-
Instructor Guides			
- English	1908	837	150
- French	356	N/A	-

The Make it Count Guide has been nominated for a Manitoba Service Excellence Award which will be announced in June 2010.

The Commission adapted the CSA “Boiler Room” work sheet for use in Manitoba. In addition, the Commission had several resources on Frauds and Scams for older Manitobans translated into Tagalog for use in the Filipino community.

In February, the Commission participated in promoting to Manitoba youth the Canadian Securities Administrators Financial Fitness Challenge. The Manitoba winner, Jennifer Froese, was announced in April. For receiving a score of 60% or higher on a series of financial questions, Jennifer was presented with a \$750 scholarship.

During the spring and summer months, the Commission participated in several child and parent events. The Commission designed three carnival games where children could learn some positive money management skills. By playing, they could win “pretend” money that allowed them to make wise purchases of carnival prizes. While the children were engaged in the learning games, Commission staff spoke to the parents about the Make it Count program and how they could/should devote time to talking to their children about money management. Free guides were given out to parents and teachers at the Winnipeg International Children’s Festival, at the Winnipeg Fringe Festival, the Winnipeg Parent Family Fun Fair and Learning Day, the Manitoba Association of Parent Councils conference and at the provincial teachers’ Special Area Groups (SAG) in-service.

In October, the Commission hosted the 9th annual Industry Breakfast – Money, Laughter and Learning - which focused on the importance of client education and the adviser’s role. The session opened with standup comedian James Cunningham who demonstrated for the audience engaging ways in which to teach financial concepts to young adults. Dr. Jerry Buckland spoke about the Canadian Securities Administrators Investor Index and the role that Financial Advisers are being expected to play in educating their clients. This was followed by a panel discussion on the importance of investor education, educating clients and available resources.

During Investor Education month, the Commission ran a three week campaign that was intended to raise investors’ awareness surrounding the importance of monitoring their investments. Despite the fact that financial woes of the past year had left many Manitobans unwilling or uninterested in their financial affairs, the campaign encouraged investors to get past their concerns and regain an interest in their investments. The Commission ran television, radio and billboard spots with a call to action to contact the Commission to order a free investor kit. The kit contained information on the Basics of Investing: Getting started, Working with a Financial Adviser, Investments at a Glance and an Investment Planning Worksheet. During the three week campaign and for the two months following, 1231 kits were ordered.

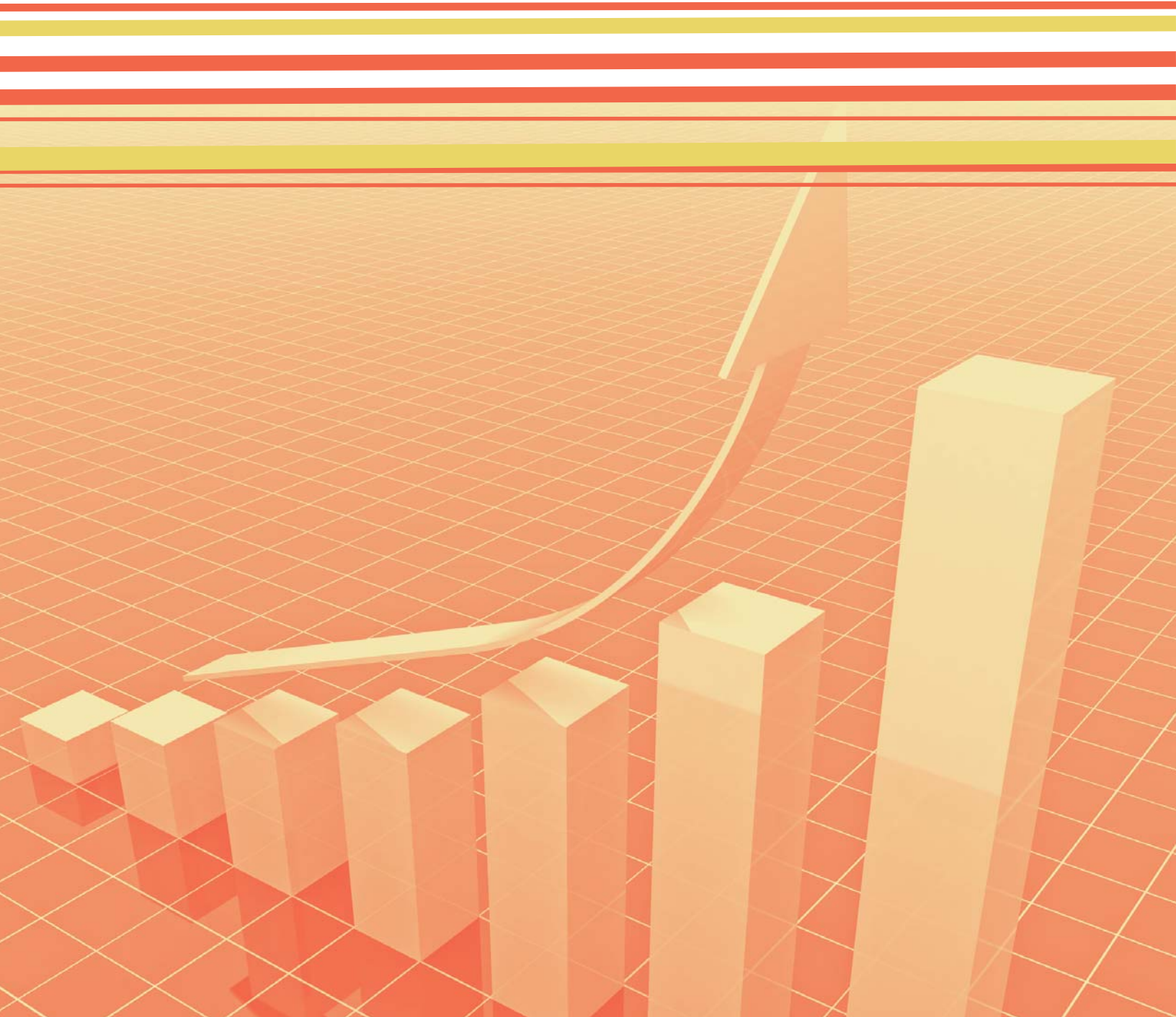
In January 2010 with the assistance of eNRG Research Group, the Commission conducted a public survey. The telephone survey reached 600 Manitobans asking them to provide their opinions on their experience with investing, involvement in investing, knowledge of the Commission, household financial management behaviours and financial goals and values. Some interesting finds of the survey are:

- Approximately seven in 10 Manitobans (72%) currently hold some form of investments. Up from 63% in 2005.
- Investors tend to be older, fairly well educated and reside in households with higher than average household incomes. Males continue to be more likely to invest.
- A majority of Manitobans agree with what can be described as sound household financial management practices such as paying off credit card debt at the end of the month (80%), setting aside money for long term expenses (75%) and having a budget (73%).
- However, there is a consistent pattern in responses that demonstrate less agreement concerning sound financial management practices in which the household management views expressed could be problematic. These views were commonly held by those younger than 34 years (majority were 18-24 years), those with less than high school education and with household incomes of \$40,000 or less.

The Education area continues to forge ahead with engaging, leading edge plans for the 2010-2011 fiscal year.

Part III

Performance Measurement and Service Standards



Performance Measurement

The Commission's planning process is set out in three documents. At the top, the Commission has a multi-year Strategic Plan that notes the main challenges to the organization and maps out strategies to respond.

The annual Business Plan is based on the Strategic Plan and develops a one-year road map for strategy implementation while developing a budget for the operations of the Commission.

The Planning Document, which was previously called the Balanced Scorecard, was originally developed by Commission staff with some outside consultation and was introduced in the 2002/2003 fiscal year. The balanced scorecard document was reviewed and updated by staff in 2006/07 and was renamed the Planning Document.

The Planning Document is a dual purpose document in that it outlines goals/objectives of the Commission and actions required to achieve them as well as the means of measuring the agency's successes. In other words, in addition to being a performance measurement document the Planning Document doubles as a work plan for the overall Commission in the various functional areas for carrying out most aspects of the Business Plan.

The Planning Document template breaks down the Commission's broad goals into four perspectives being: financial, stakeholder, internal and learning and growth. Under each of the perspectives, in addition to goals or objectives, measures are set out as a means of determining as to whether the Commission has successfully achieved its goals for the year. There are two types of measurements, being "quantitative" and "qualitative". Quantitative measures are those that lend themselves easily to determination and comparison. These are generally matters that can be physically counted such as the number of field audits completed in a year, the number of staff that are cross-trained for other jobs, the number of hours of staff training completed, and the number of educational programs delivered to the public.

Qualitative measurements are those matters less prone to physical comparison but are still considered valid indicators of the fulfillment of Commission objectives. For example, under "internal perspective" the first stated goal in the Planning Document is "developing and maintaining a superior knowledge base". An action aimed at furthering this goal includes for all functional areas the preparation of written procedure and policy manuals. The completion of these manuals is considered a qualitative measure in that their availability will serve to increase operational understanding and communication. With qualitative measures the timely completion of the action, designed to further agency goals, is taken as a measurement in itself that the Commission's goals are being achieved.

Each year staff of the eight functional sections meets to apply the template to their specific areas and the actions to be undertaken by each to achieve the goals are determined. Each action is directly related to an organizational goal or objective. Every staff member has the opportunity to participate in this exercise. The individual area templates are collected, reviewed and incorporated into the Planning Document.

The Planning Document also includes target dates, proposed results and a status column (which is used to track results). The status of the Planning Document is reviewed by staff on a quarterly basis, and following the year-end a final report on the organization's performance success is distributed to all staff members. As has been the case with previous years, the organization has generally met the performance goals it had set. This is particularly so in those areas where quantitative performance targets were laid out. In those few areas where performance targets were not met during the fiscal year, valid reasons were

given and the goals and targets are reevaluated and identified for completion during the subsequent cycle.

The Commission has found the Planning Document to be a very useful tool in the planning/reporting process and a valuable method of identifying agency objectives and utilizing the talents of all staff in determining actions to meet those goals and setting measures for performance. This document is very much a creation of Commission staff and while there are always different ways to view and measure performance, the team performing the Commission's Effectiveness Evaluation in 2002 considered this document to be comprehensive, reasonable and appropriate. The Commission realizes the importance of remaining current in its performance measurement outlook and senior management and the extended management committee reviews the Planning Document on a regular basis.

Service Standards

Service Standards in operation include commitments to timely action in the review of prospectuses and applications as well as in the delivery of decisions following administrative hearings.

In the area of hearings the Commission will, for hearings of one week (five days) or less provide written Reasons for Decision within six weeks of the close of the hearing. The Commission members, when assigned to panels, will endeavor to produce written Decisions in a timely fashion for longer hearings, which will depend upon the amount of evidence to be reviewed in rendering a Decision. This service standard was implemented at the end of fiscal year 2007 and has been complied with to date.

In the area of prospectus review Commission staff will ensure that all standards set out in the Passport for review and comment for preliminary prospectuses, long form prospectuses, short form prospectuses and amendments will be met or exceeded when acting as principal regulator. This includes:

- Preliminary and long form prospectuses – review and issue comment letter within 10 working days;
- Preliminary short form or shelf prospectus – review and issue comment letter within three working days;
- Amendments to preliminary long form prospectus – review and issue comments within five working days;
- Amendments to preliminary short form prospectus – review and issue comments within two working days;
- Final amendments to prospectus – three days for long form and two days for short form.

With respect to timelines for review of applications, this issue is currently being considered by the appropriate CSA Committee for implementation on a harmonized basis across the country. The Commission will undertake to meet all Passport standards when finalized.

Part IV

Real Estate



Overview

The Real Estate Division administers *The Real Estate Brokers Act* and *The Mortgage Dealers Act*. The Real Estate Division is responsible for the registration of real estate brokers, mortgage dealers, and real estate and mortgage salespersons, investigation of complaints involving the alleged violation of the statutes, and to provide public protection by raising and maintaining industry standards.

On-Line Registration

In February 2010 an On-line Registration system became available for use to the real estate industry. The members are able to renew their registrations on-line and make certain changes to their registration data. They can also obtain up to date information on their status of educational requirements and some of their registration history.

Education

The pre-licensing courses and exams for application are prescribed by the Commission and administered by The Manitoba Real Estate Association (MREA) under the Real Estate Division. Education standards are monitored by the Registrar who serves as a member of the MREA's Education and Examination Review Committee.

During 2009/10 there were 907 enrolments in the pre-licensing courses.

The Real Estate Division administered five examinations during the year relating to Restricted Sales Agent exams.

There were 1853 registrants that completed six hours of Mandatory Continuing Education (MCE 9) which was titled Risk Management Strategies for Errors and Omissions Insurance and Legal Update and Practice Guidelines. This was the ninth year for the industry's continuing education course. The course material is reviewed and approved by the Education Committee, of which the Registrar is a member.

During the year the MREA and Commission staff continued to work together to up-grade pre-licensing courses. On-line courses for persons wishing to become salespersons are in place and have been proven to be popular amongst individuals interested in pursuing a career in real estate. Informational material for persons interested in a career in real estate are circulated at various career symposiums and available on the Commission's and the Manitoba Real Estate Association's web sites. Upgrading to course material also continues on an on-going basis.

Registrations

2534 registrations were issued for salespersons, authorized officials, real estate brokers and mortgage dealers.

During the year numerous amendments involving name, address or corporate changes were processed under the *Real Estate Brokers Act* together with business re-organizing their affairs. In addition, 18 reinstatements and 115 salespersons transfers were processed.

Financial Filings and Compliance Audits

Commission staff review brokers' Annual Trust Account Reports and mortgage dealers' financial statements and Trust Compliance Reports filed with the Registrar and advise broker and mortgage dealers on compliance with the trust accounting provisions of the statutes. The compliance program consists of field audits and follow-up field audit visits and providing information to professional accountants who prepare the statutory reports.

During the year staff reviewed approximately 367 reports filed by brokers and dealers and 24 final reports for brokers who ceased their operation. The Commission suspended four brokers for failing to file their Annual Trust Account Report on time.

Investigation and Enforcement

The enforcement program addresses the following areas of investigation:

- Investigation of complaints alleging infractions of the statutes and improper conduct;
- The background of applicants and conduct of registrants;
- Investigation of alleged unregistered trading.

In addition to the number of miscellaneous complaints and inquiries handled on a daily basis, there were 80 formal written complaints under investigation during 2009/10. The investigation of 37 of these complaints was still ongoing as of March 31, 2010 with the following outcome of the finalized complaints.

- 20 complaints were unsubstantiated or were resolved with the assistance of Commission staff;
- 10 complaints resulted in a warning or reprimand;
- 12 complaints resulted in other action being taken (A contact by Commission staff with the broker or salesperson will sometimes result in a complaint being resolved.);
- One complaint resulted in a hearing and a suspension.

Legislation And Policy

Policy Development

Staff in the Real Estate section administers real estate registration, education and general policies.

The Registrar serves on The Real Estate Advisory Council, a non-statutory body that advises and makes recommendations to the Commission and the Manitoba Real Estate Association on real estate issues. The Council consists of 10 members representing various stakeholders with the Registrar being the Commission's representative.

During 2009/10 some of the issues that the Council dealt with were:

- Recommendations for changes to the *Real Estate Brokers Act*
- Policy and guidelines for the Real Estate Industry
- Categories of registration

Trust Accounts

Interest earned on Brokers' Trust Accounts

The Commission receives interest earned on real estate brokers trust accounts. The Real Estate Advisory Committee established by the Regulations under the *Real Estate Brokers Act* recommends real estate related projects for funding from the interest that the Commission receives. Funds that are not designated for projects are paid to the Minister of Finance on March 31st of every year.

The results of the 2009/10 are:

RECEIPT'S (in 000's)

Received		<u>\$161</u>
Paid out:		
*MREA - Pre- licensing Education	\$25	
Real Estate Career Guide	17	
Habitat for Humanity	50	
Minister of Finance	<u>69</u>	
		<u>\$161</u>

Unclaimed Trust Money

Section 26 of the *Real Estate Brokers Act* allows brokers to pay unclaimed trust money in the trust accounts to the Commission in order to clear the funds from their trust accounts. Trust money paid to the Commission is held in trust pending receipt of a claim by the rightful claimant. A reserve is held in the account at the end of the fiscal year with the balance paid to the Minister of Finance.

The results of the program for 2009/10 are:

RECEIPTS (in 000's)

Accounted for as follows:

Balance in account March 31/09	\$25	
Received during year	<u>17</u>	
Sub total		<u>\$42</u>
Paid Out		
Minister of Finance	<u>\$17</u>	
Balance (March 31/08)		<u>\$25</u>

Part V

Information Technology



Overview

As of March 31, 2010, the Commission had the following internal systems in place:

- Manitoba Securities Commission Information System 2.0 (MSCIS 2.0) and
- Real Estate On-line Registration System

The Real Estate section's new on-line system became operational in February 2010 and replaced the Real Estate Information System. This new system allows registrants to register on-line and use a credit card option for payments.

The Commission uses Microsoft Great Plains, an accounting and financial reporting software package for all its accounting and reporting needs.

As well, the Commission interfaces with, and uses, the following national CSA systems:

- System for Electronic Data Analysis and Retrieval
- National Cease Trade Order Database
- System for Electronic Disclosure by Insiders and
- National Registration Database

These systems allow the Commission to receive, store and access pertinent information and documentation filed with respect to *The Securities Act*, *The Commodity Futures Act*, *The Real Estate Brokers Act* and *The Mortgage Dealers Act*. Maintenance and development of these internal and external systems insure that daily operations run effectively and efficiently.

The Commission has a standing IT Committee that meets regularly to evaluate and prioritize the Commission's information systems requirements. The Commission uses Request Tracker to track the various changes that are requested and made to MSCIS 2.0.

Part VI

The Public Interest Disclosure (Whistleblower Protection) Act



The *Public Interest Disclosure (Whistleblower Protection) Act* came into effect in April 2007. This law gives employees a clear process for disclosing concerns about significant and serious matters (wrongdoing) in the Manitoba public service, and strengthens protections from reprisal. The Act builds on protections already in place under other statutes, as well as collective bargaining rights, policies, practices and processes in the Manitoba public service.

Wrongdoing under the Act may be: contravention of federal or provincial legislation; an act or omission that endangers public safety, public health or the environment; gross mismanagement; or, knowingly directing or counseling a person to commit a wrongdoing. The Act is not intended to deal with routine operational or administrative matters.

A disclosure made by an employee in good faith, in accordance with the Act, and with a reasonable belief that wrongdoing has been or is about to be committed is considered to be a disclosure under the Act, whether or not the subject matter constitutes wrongdoing. All disclosures receive careful and thorough review to determine if action is required under the Act, and must be reported in a department's annual report in accordance with Section 18 of the Act.

The following is a summary of disclosures received by The Manitoba Securities Commission for the fiscal year 2009/10.

Information Required Annually (per Section 18 of The Act)	Fiscal Year 2009-2010
The number of disclosures received, and the number acted on and not acted on. <i>Subsection 18(2)(a)</i>	NIL
The number of investigations commenced as a result of a disclosure. <i>Subsection 18(2)(b)</i>	NIL
In the case of an investigation that results in a finding of wrongdoing, a description of the wrongdoing and any recommendations or corrective actions taken in relation to the wrongdoing, or the reasons why no corrective action was taken. <i>Subsection 18(2)(c)</i>	NIL

Part VII

Financial Discussion



Management's Discussion and Analysis

This discussion and analysis presents the operating results of The Manitoba Securities Commission for the year ended March 31, 2010. It should be read in conjunction with the Commission's audited financial statements.

Operation Results

Net Income

Net income for the year ended March 31, 2010 was \$8.939 million, a slight increase over the prior year (\$8.918 million). Revenues of \$13.1 million exceeded budget by \$3.1 million. Expenses of \$4.194 million came in under budget by \$510. The net result was net income exceeded budgeted net income of \$5.3 million by \$3.6 million or 69%.

Revenue

The Commission exceeded its revenue targets by 31% or \$3.1 million because market activity remained steady. This year's revenue totaled \$13.1 million, as compared to last year's total of \$12.9 million. See Table 1 for details.

Table 1

Revenue (000's)	2010	% of Total	2009	% of Total	2009 Increase/ (Decrease) from 2008
Filing Fees	\$ 7,574	58%	\$ 7,034	55%	8%
Registration Fees	4,537	35%	4,752	37%	(5)%
Financial Statement Fees	432	3%	429	3%	1%
Application Filing Fees	177	1%	145	1%	22%
Real Estate Fees	401	3%	391	3%	3%
Investment Income	11	- %	146	1%	(123)%
Miscellaneous	1	-%	1	-%	-%
	\$ 13,133	100%	\$ 12,898	100%	2%

Corporate finance fees and registration fees accounted for 93% of the Commission's 2010 revenues, slightly higher than fiscal 2009. Corporate finance fees are made up of prospectus fees and fees related to filings such as annual information forms and rights offerings. Registration Fees are comprised of fees for registration of advisors, dealers and salespersons.

Expenses

Overall, total expenses for fiscal year 2010 were \$4.194 million, a 5% increase over fiscal year 2009 (\$3.98 million). See Table 2 for details.

Table 2

Expenses (000's)	2010	% of Total	2009	% of Total	2010 % Increase/ (Decrease) From 2009
Salaries and Benefits	\$ 2,836	68%	\$ 2,759	69%	3%
Operating Expenses*	1,306	31%	1,153	29%	13%
Amortization	52	1%	68	2%	(31)%
	\$ 4,194	100%	\$ 3,980	100%	5%

* For details of expenses refer to the Statement of Income in the Audited Financial Statements

Total expenses were 12% below the budget. Variances in salaries and benefits and operating expenses are explained below.

Salaries and Benefits

Overall, salaries and benefits increased by 3% (or \$77,000) over the previous year. However, salaries and benefits were 12% below budget due to staff utilization of the Voluntary Reduced Work Week program and one vacant clerical position.

Operating Expenses

Operating expenses for the fiscal year were 13% higher than last year and were under budget by \$161,000 or 12%. The significant variances are as follows:

- Contract Services – under budget by \$13,000 due to lower than expected costs for internet charges;
- CSA Initiative spending was under budget by \$51,000 due to lower than expected costs for national initiatives;
- Professional Services - under budget by \$25,000 due to lower than expected costs for transcription services;
- Travel – under budget by \$35,000 due to expenditure management initiatives;
- Staff Development – under budget by \$24,000 due to underutilization of our training and development budget and expenditure management initiatives.

The remaining variance of \$13,000 consisted of expenses that were \$5,000 or less under budget. There were no expenses over the budgeted amount.

Capital Expenditures & Liabilities

Capital expenditures for the year were \$2,000. These expenditures were for Computer Hardware – a scanner for Investigations. Capital expenditures were financed by funds provided through operations.

Accrued liabilities were \$56,000 compared to \$67,000 in fiscal 2009. The March 31, 2010 balance represents accrued vendor obligations. Accrued vacation and severance liabilities were \$227,000 and \$251,000 as at March 31, 2010 compared to \$239,000 and \$215,000 respectively, in the previous fiscal year. Accrued salaries and benefits were \$31,000 for the year ending March 31, 2010 compared to \$21,000 at March 31, 2009.

Disposition of Surplus Operating Funds

The Commission made the required quarterly payments to the Province of Manitoba totaling \$7.85 million. The payment amount is calculated annually and is included in the Commission's business plan as a disposition of surplus operating funds in the Statement of Retained Earnings.

Liquidity

Liquidity can be defined as an organizations ability to meet financial obligations as they come due. Liquidity management provides the certainty that funds will be available to honour all commitments and involves continuous forecasting and monitoring of expected cash flows. The Commission requires liquidity principally to finance its operations and capital expenditures. Its objective is to have sufficient funds available to maintain its operations, without impairment, should revenue decrease below expenses.

The Commission had cash and cash equivalents of \$8.9 million as of March 31, 2010 and has access to a working capital advance of \$500,000 with the Special Operating Agencies Financing Authority.

The long-term investment of \$269,000 is valued at cost and represents long-term investments held with the Province of Manitoba in a trust account earning a market rate of interest. The investment is to be utilized to repay employee vacation and severance balances which existed at the time the Commission became a Special Operating Agency.

As at March 31, 2010 the Commission has \$750,000 in its reserve fund to finance extraordinary expenses that are regulatory in nature and for unexpected changes in market activity that have a negative effect on revenues. These funds are invested with the Province of Manitoba Treasury Division and allow the Commission the flexibility to access these funds when needed.

Outlook 2010/2011

The Commission will look to generate \$5.4 million in net income in fiscal year 2011. This translates into budgeted revenue of \$10 million and budgeted expenses of \$4.6 million. Disposition of Surplus Operating Funds for fiscal year 2010 -11 is set at \$8.8 million.

With the Commission having no control over market activity, budgeted revenues are subject to variability.

Responsibility For Financial Reporting

The Commission's management is responsible for preparing the financial statements and other financial information in the Annual Report. These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. The financial statements include amounts that are based on management's best estimates and judgments. The Commission's financial statements have been audited by BDO Canada LLP, independent external auditors.

The Commission maintains accounting and internal control systems to provide reasonable assurance that its financial information is reliable and accurate and that its assets are adequately protected.

The Commission's management meets regularly to review the financial statements and accounting practices. The auditors have free and full access to management, if required to discuss results of their audit and their views on the adequacy of internal controls and the quality of financial reporting.

On behalf of management,



Donald G. Murray
Chair and C.E.O.



Robert B. Bouchard
Chief Administrative Officer



Marlene Nemes
Controller

May 18, 2010

THE MANITOBA SECURITIES COMMISSION

Financial Statements
For the year ended March 31, 2010

THE MANITOBA SECURITIES COMMISSION

Financial Statements
For the year ended March 31, 2010

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Auditors' Report

To The Special Operating Agencies Financing Authority:

We have audited the balance sheet of **THE MANITOBA SECURITIES COMMISSION**, An Agency of the Special Operating Agencies Financing Authority, Province of Manitoba as at March 31, 2010 and the statements of income and comprehensive income, retained earnings, reserve fund and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Winnipeg, Manitoba
May 18, 2010

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THE MANITOBA SECURITIES COMMISSION
Balance Sheet
(in thousands)

March 31 **2010** **2009**

Assets

Current Assets

Cash and short-term deposits (Note 4)	\$	8,978	\$	7,813
Accounts receivable (Note 5)		15		19
Prepaid expenses		45		44

9,038 **7,876**

Restricted short-term deposits (Note 6) **750** **750**

Long-term investments (Note 7) **269** **269**

Capital assets (Note 8) **63** **113**

\$ 10,120 **\$ 9,008**

Liabilities and Equity

Current Liabilities

Accounts payable and accrued liabilities	\$	56	\$	67
Accrued vacation entitlements (Note 9)		227		239
Accrued salaries and benefits		31		21

314 **327**

Severance pay liability (Note 10) **251** **215**

565 **542**

Commitments and contingency (Notes 11 and 14)

Reserve Fund (Note 12) (Page 5) **750** **750**

Retained earnings (Page 5) **8,805** **7,716**

9,555 **8,466**

\$ 10,120 **\$ 9,008**

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

THE MANITOBA SECURITIES COMMISSION
Statement of Income and Comprehensive Income
(in thousands)

For the year ended March 31	2010	2009
Revenue		
Fees	\$ 13,121	\$ 12,751
Interest	11	146
Miscellaneous	1	1
	<u>13,133</u>	<u>12,898</u>
Expenses		
Salaries and benefits	2,836	2,759
Staff development and professional dues	26	39
Premises	245	244
Contract services	292	262
Professional services	135	122
CSA initiatives*	89	82
Travel	67	75
Telecommunications	60	57
Office materials and supplies	79	143
Education/Information initiatives	198	81
Amortization - capital assets	52	68
Research resources	90	29
Miscellaneous	25	19
	<u>4,194</u>	<u>3,980</u>
Net income and comprehensive income for the year (Page 5)	\$ 8,939	\$ 8,918

* Canadian Securities Administrators

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

THE MANITOBA SECURITIES COMMISSION
Statement of Retained Earnings
(in thousands)

For the year ended March 31	2010	2009
Retained earnings , beginning of year	\$ 7,716	\$ 6,098
Net income and comprehensive income for the year (Page 4)	8,939	8,918
Disposition of surplus operating funds (Note 13)	<u>(7,850)</u>	<u>(7,300)</u>
Retained earnings , end of year (Page 3)	\$ 8,805	\$ 7,716

Statement of Reserve Fund
(in thousands)

For the year ended March 31	2010	2009
Balance , beginning of year	\$ 750	\$ 750
Allocation from (to) retained earnings	<u>-</u>	<u>-</u>
Balance , end of year (Page 3)	\$ 750	\$ 750

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

THE MANITOBA SECURITIES COMMISSION
Statement of Cash Flows
(in thousands)

For the year ended March 31	2010	2009
Cash Flows from Operating Activities		
Net income and comprehensive income for the year	\$ 8,939	\$ 8,918
Adjustment for		
Amortization - capital assets	52	68
	<u>8,991</u>	<u>8,986</u>
Changes in non-cash working capital		
Accounts receivable	4	11
Receivable from the Province of Manitoba	-	269
Prepaid expenses	(1)	(15)
Accounts payable and accrued liabilities	(11)	(8)
Accrued vacation entitlements	(12)	1
Accrued salaries and benefits	10	12
	<u>(10)</u>	<u>270</u>
Severance pay liability	36	4
	<u>9,017</u>	<u>9,260</u>
Cash Flows from Investing Activities		
Acquisition of capital assets	(2)	(5)
Purchase of long-term investments	-	(269)
	<u>(2)</u>	<u>(274)</u>
Cash Flows from Financing Activities		
Disposition of surplus operating funds	(7,850)	(7,300)
Net increase in cash and cash equivalents	1,165	1,686
Cash and cash equivalents, beginning of year	7,813	6,127
Cash and cash equivalents, end of year	\$ 8,978	\$ 7,813
Supplementary information:		
Interest received	\$ 16	\$ 168

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

THE MANITOBA SECURITIES COMMISSION

Summary of Significant Accounting Policies

For the year ended March 31, 2010

Basis of Reporting

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

Capital Assets

Capital assets are recorded at cost and amortized over their estimated lives as follows:

Office equipment	20% straight-line
Furniture and fixtures	20% straight-line
Leasehold improvements	10% straight-line
Computer hardware	20% straight-line
Computer software	20% straight-line

The half-year rule is used in the year of acquisition.

Revenue Recognition

Fees and cost recoveries are recognized when received. Investment income is recorded in accordance with terms of the related investment.

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

THE MANITOBA SECURITIES COMMISSION

Notes to Financial Statements

(in thousands)

For the year ended March 31, 2010

1. Nature of Organization

Effective April 1, 1999 the Lieutenant Governor in Council designated the The Manitoba Securities Commission as a special operating agency under The Special Operating Agencies Financing Authority Act (C.C.S.M. c.S185) by Order in Council No. 144/1999. The Order also gave approval to the Special Operating Agencies Financing Authority and the Minister of Consumer and Corporate Affairs, being the Minister responsible for the Commission, at that time, to enter into a management agreement with respect to the Commission.

The Management Agreement between the Financing Authority and the Minister of Consumer and Corporate Affairs assigns responsibility to manage the assets transferred to The Manitoba Securities Commission in delivering regulated services to clients. The Manitoba Securities Commission is now under the umbrella of the Finance Department with the Minister of Finance responsible for the Commission.

2. Change in Accounting Policies

Effective April 1, 2009, the Commission adopted the following new handbook sections issued by the Canadian Institute of Chartered Accountants (CICA):

Section 3064 Goodwill and Intangible Assets

Effective April 1, 2009, the Company adopted the recommendations of the Canadian Institute of Chartered Accountants ("CICA") Handbook section 3064 Goodwill and Intangible Assets and the updates to the CICA Handbook section 1000 Financial Statement Concepts.

These changes did not have an impact on the Commission's financial statements for the year ended March 31, 2010.

Credit Risk and Fair Value of Financial Assets and Financial Liabilities

During 2009 the agency adopted the Emerging Issues Committee (EIC) 173 and amendments to Section 3855, Financial Instruments - Recognition and Measurement and 3862, Financial Instruments - Disclosures:

- Section 3855 - Effective Interest Method
- Section 3855 - Embedded Derivatives on Reclassification of Financial Assets
- Section 3855 - Impairment of Financial Assets
- Section 3862 - Fair Value and Liquidity Risk Disclosure

Due to the nature of the Commission's financial instruments, the adoption of these standards and amendments had no material impact on the financial position of the Commission.

Future Accounting Changes

Effective April 1, 2011 the Commission will be adopting Public Sector Accounting Standards by the Public Sector Accounting Board. The Commission is currently in the process of quantifying the impact these changes will have on its financial position.

THE MANITOBA SECURITIES COMMISSION
Notes to Financial Statements
(in thousands)

For the year ended March 31, 2010

3. Financial Instruments and Financial Risk Management

Financial assets and liabilities are initially recorded at fair value. Measurement in subsequent periods depends on the financial instrument's classification. Financial instruments are classified into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost. Amortized cost is determined using the effective interest rate method.

Class of Financial Instruments	Held for Trading	Loans and Receivables	Other Financial Liabilities
Cash and short-term deposits	\$ 8,978	\$ -	\$ -
Long-term investments	269	-	-
Restricted short-term deposits	750	-	-
Accounts receivable	-	15	-
Accounts payable and accrued liabilities	-	-	56
Accrued salaries and benefits	-	-	31

Gains and losses on financial instruments subsequently measured at amortized cost are recognized in the statement of earnings and retained earnings in the period the gain or loss occurs. Changes in fair value on financial instruments classified as held for trading are recognized in the statement of earnings and retained earnings for the current period. Changes in fair value on financial instruments classified as available for sale would be recorded in other comprehensive income until realized, at which time they recorded in the statement of earnings and retained earnings.

Fair value of financial instruments

The fair values of accounts receivable, accounts payable and accrued liabilities approximate their carrying values due to their short-term maturity.

Financial risk management - overview

The Commission has exposure to the following risks from its use of financial instruments: credit risk; liquidity risk; market risk; interest risk; and foreign currency risk.

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Commission to credit risk consist principally of cash and short-term deposits and accounts receivable.

THE MANITOBA SECURITIES COMMISSION
Notes to Financial Statements
(in thousands)

For the year ended March 31, 2010

3. Financial Instruments and Financial Risk Management (continued)

The maximum exposure of the Agency to credit risk at March 31, 2010 is:

Cash, short-term deposits and long-term investments	\$ 9,997
Accounts receivable	15
	<hr/>
	\$ 10,012
	<hr/>

Cash, short-term deposits and long-term investments: The Commission is not exposed to significant credit risk as the cash and term deposits are primarily held by the Minister of Finance.

Accounts receivable: The Commission is not exposed to significant credit risk as receivables consist of accrued interest owing from the Province of Manitoba and trade amounts owed primarily from other entities within the Government of the Province of Manitoba and payment in full is typically collected when it is due. The Commission establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on management's estimates and assumptions regarding current market conditions, customer analysis and historical payment trends. These factors are considered when determining whether past due accounts are allowed for or written off.

The change in the allowance for doubtful accounts during the year was as follows:

Balance, beginning of the year	\$ Nil
Provision for receivable impairment	-
Amounts written off	-
	<hr/>
Balance, end of the year	\$ Nil
	<hr/>

Liquidity risk

Liquidity risk is the risk that the Commission will not be able to meet its financial obligations as they come due.

The Commission manages liquidity risk by maintaining adequate cash balances and by review from the Province of Manitoba to ensure adequate funding will be received to meet the obligations.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Commission's income or the fair values of its financial instruments. The significant market risks the Commission is exposed to are interest rate risk and foreign currency risk.

THE MANITOBA SECURITIES COMMISSION
Notes to Financial Statements
(in thousands)

For the year ended March 31, 2010

3. Financial Instruments and Financial Risk Management (continued)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to funds on deposit.

The interest rate risk on funds on deposit (cash, short and long-term deposits) is considered to be low because of their short-term nature (less than 1 year).

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Commission is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

4. Cash and Short-term Deposits

The Commission invests all surplus cash in short-term deposits with the Province of Manitoba, which are made up of thirty, sixty and ninety day callable term deposits.

5. Accounts Receivable

	<u>2010</u>	<u>2009</u>
Accrued interest	\$ 3	\$ 8
Trade	12	11
	<u>\$ 15</u>	<u>\$ 19</u>

6. Restricted Short-term Deposits

The Commission maintains separate short-term deposits with the Province of Manitoba to fund expenses which may arise with respect to the Reserve Fund (Note 12).

THE MANITOBA SECURITIES COMMISSION
Notes to Financial Statements
(in thousands)

For the year ended March 31, 2010

7. Long-term Investments

Long-term investments are valued at cost and represent long-term investments held with the Province of Manitoba in a trust account earning a market rate of interest. The investments are to be utilized to repay employee vacation and severance balances which existed at the time the Manitoba Securities Commission became a Special operating agency. The funds can only be used with the consent of the Province of Manitoba.

8. Capital Assets

	2010		2009	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Office equipment	\$ 40	\$ 34	\$ 40	\$ 31
Furniture and fixtures	151	142	151	138
Leasehold improvements	41	11	41	7
Computer hardware	140	131	139	127
Computer software	863	854	863	818
	\$ 1,235	\$ 1,172	\$ 1,234	\$ 1,121
Cost less accumulated amortization		\$ 63		\$ 113

9. Accrued Vacation Entitlements

The Commission follows the policy of the Department of Finance to recognize the vacation entitlement liability accumulated to March 31, 1999. The liability at this date was offset by a receivable from the Province and was \$117 as at March 31, 1999. Any subsequent changes to the entitlement are reflected as a current year expense to the Commission. The accrued vacation entitlement was \$227 as of March 31, 2010 (2009 - \$239).

THE MANITOBA SECURITIES COMMISSION
Notes to Financial Statements
(in thousands)

For the year ended March 31, 2010

10. Severance Pay Liability

Effective April 1, 1999, the Commission began recording accumulated severance pay benefits for its employees. The amount of severance pay obligations is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when the actual experience is different from that expected and/or because of changes in actuarial assumptions used. The resulting actuarial gains or losses are amortized over the expected average remaining service life of the related employee group.

An actuarial report was completed for the severance pay liability as of March 31, 2008. The report provides a formula to update the liability on an annual basis. The Commission's actuarially determined net liability for accounting purposes as at March 31, 2010 was \$251 (2009 - \$215). Commencing in the 2009 fiscal year, the accumulated actuarial loss of \$27 based on the actuarial reports will be amortized over the 15 year expected remaining service life of the employee group.

Significant long-term actuarial assumptions used in the March 31, 2008 valuation, and in the determination of the March 31, 2010 present value of the accrued severance benefit obligation were:

Annual rate of return	
Inflation component	2.50%
Real rate of return	<u>4.00%</u>
	<u>6.50%</u>
Assumed salary increase rate	
Annual productivity increase	0.75%
Annual general salary increase	<u>3.50%</u>
	<u>4.25%</u>

11. Lease Commitment

The Commission has entered into a lease agreement commencing October 1, 2005 for rental of facilities at 400 St. Mary Avenue, which expires September 30, 2020. Occupancy charges for the year ended March 31, 2010 were \$245. Minimum annual lease payments total \$257 per year for each of the next five years.

12. Reserve Fund

The Commission has established a Reserve Fund to finance extraordinary expenses for isolated and unanticipated purposes that are regulatory in nature and for changes in market activity that has a negative effect on revenues. The amount of the Reserve Fund has remained unchanged in the current year.

THE MANITOBA SECURITIES COMMISSION
Notes to Financial Statements
(in thousands)

For the year ended March 31, 2010

13. Disposition of Surplus Operating Funds

The disposition of surplus operating funds consists of payments made to the Consolidated Revenue Fund of the Province of Manitoba according to Treasury Board Directives.

14. Contingency

The Commission has been named as defendant in one statement of claim. At the time of preparation of these financial statements, the outcome of these claims were undeterminable. The cost of a future settlement, if any, will be reflected as an expense in the year paid.

15. Pension Benefits

Employees of The Manitoba Securities Commission are eligible for pension benefits in accordance with the provisions of the Civil Service Superannuation Act (CSSA), administered by the Civil Service Superannuation Board (CSSB). The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the Government, including the Manitoba Securities Commission, through the Civil Service Superannuation Fund (CSSF).

Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba, The Manitoba Securities Commission transferred to the Province the pension liability for its employees.

Commencing April 1, 2001, The Manitoba Securities Commission was required to pay to the Province an amount equal to its employees' current pension contributions. The amount paid for 2010 was \$145 (2009 - \$95). Under this Agreement, the Manitoba Securities Commission has no further pension liability.

16. Working Capital Advances

These advances are provided to the Commission through the Special Operating Agencies Financing Authority pursuant to the Management Agreement. The Commission has an authorized line of working capital advances of \$500,000 which were unutilized at March 31, 2010 (2009 - \$Nil).

The Commission incurred no interest charges during the year (2009 - \$Nil).

THE MANITOBA SECURITIES COMMISSION
Notes to Financial Statements
(in thousands)

For the year ended March 31, 2010

17. Capital Disclosures

The Commission's capital consists of its reserve fund and retained earnings.

The Commission's capital management policy is to maintain sufficient capital to meet its objectives through its retained earnings by managing transfers of surplus funds to the Province of Manitoba; meet short-term capital needs with working capital advances from the Province of Manitoba; and meet long-term capital needs through long-term debt with the Province of Manitoba. There were no changes in the Commission's approach to capital management during the period.

The Commission is not subject to externally imposed capital requirements.

THE MANITOBA SECURITIES COMMISSION
Schedule of Public Sector Compensation Disclosure
(in thousands)

For the year ended March 31, 2010

Employee	Title	Compensation
Don Murray	Chairman and CEO	\$ 141
Doug Brown	Director and Secretary to the Commission	133
Steven Gingera	Assistant Legal Counsel	129
Chris Besko	Assistant Legal Counsel	129
Kim Laycock	Assistant Legal Counsel	129
Bob Bouchard	Director and CAO	103
William Baluk	Registrar	91
Marlene Nemes	Controller	89
Wayne Bridgeman	Senior Analyst	79
Paula White	Senior Compliance Officer	81
Jason Roy	Senior Investigator	74
Ainsley Cunningham	Information Officer	70
Isilda Tavares	Registration Officer	62
Patrick Weeks	Analyst	63
Terry Kirkham	Investigator - Real Estate	64
Leonard Terlinski	Investigator	59
Liz Klippenstein	Programmer Analyst	56
Timothy Tapley	Investigator	66
Carla L Buchanan	Compliance Auditor	66

The Public Sector Compensation Disclosure Act requires all publicly funded bodies to disclose compensation to any employee or board member when such compensation exceeds \$50 per annum.



THE MANITOBA
SECURITIES
COMMISSION