

Focused on You

Alberta Securities Commission
2007 Annual Report

AS|C
Alberta Securities Commission

The Alberta Securities Commission: Our focus is you.

We continue to evolve and improve our processes to better support and communicate with the Alberta public, investors, businesses and advisers who participate in the Alberta capital market.

We are committed to:

- making it easier for businesses to raise capital;
- administering prompt, fair and effective enforcement; and
- providing investors with convenient access to information that helps them protect their interests and make better decisions.

We are proud of what we have accomplished this past year. We will continue to promote the fundamental values and priorities of our unique, vibrant Alberta market.

Contents

3	Highlights
8	Message from the Chair
14	Organization
21	Statistical Summary
24	Management's Discussion and Analysis
41	Auditor's Report
42	Financial Statements

See how we're doing so far

Highlights

Continued to work with other provincial-territorial securities commissions on a Passport system of securities regulation that is designed to harmonize, streamline and simplify securities law across Canada, making it easier for businesses and individuals who need to file information in multiple jurisdictions.

Collaborated with the British Columbia Securities Commission to release our first joint investor protection alert, warning both Alberta and BC about an investment scheme threatening investors in both provinces.

Concluded a \$7.6 million illegal insider trading settlement—the largest in recent Canadian history.


Held extensive public consultations to review National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities* to ensure the rule suits the needs of the market, investors and industry.

Introduced targeted information sessions to better provide market participants with the opportunity to learn of and discuss the latest updates to securities laws, rules and regulations.

Created a new “FasTrac” unit in our Enforcement Department to more quickly respond to possible abusive insider trading in securities of Alberta issuers.

Completed and released our 16th annual *Continuous Disclosure Review Program Report* and our third annual *Oil and Gas Review Report* to guide issuers on how best to disclose information that investors require.

Released a further update to the *Alberta Capital Market: A Comparative Overview*, which highlights the growing influence of Alberta-based companies in the Canadian capital market.

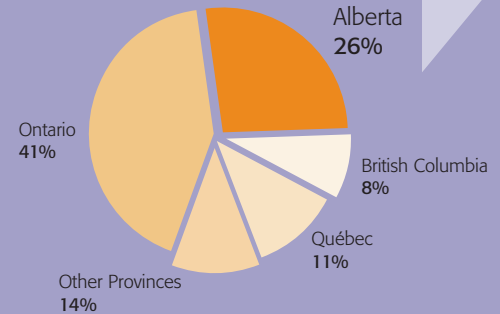


Alex Poole, Legal Counsel,
Corporate Finance and
Patrizia Valle, Legal Counsel,
Office of the General Counsel

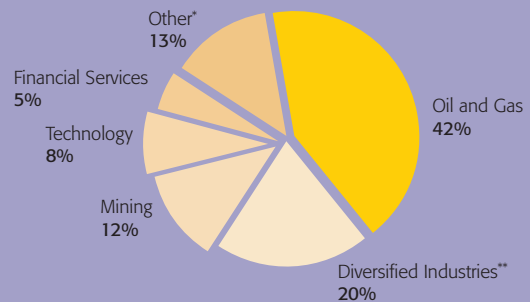


Alberta has the second largest capital market in Canada, with 42% of Alberta-based businesses engaged in the oil and gas industry. With continued investment interest in the energy sector and other industries in our province, Albertans can be confident that the ASC has the specific expertise and experience to protect and foster the continued growth of this unique and dynamic capital market that is essential to Alberta's economy."

Connect



Provincial Markets Comparison



Alberta Markets

* Other includes: media and communications, utilities and pipelines.

** Diversified Industries includes industries such as: manufacturing, food service, waste management, entertainment and retail.

We work hard to support a competitive, fair market that instills confidence for all market participants.

Fostering growth of businesses, big and small:

Alberta's market is unique among the provinces, with a relatively even distribution of small, medium and large companies that all contribute to the success and growth of Alberta. With approximately 20% of TSX and TSX Venture Exchange (TSXV) companies being Alberta based, we are focused on supporting the needs of both big and small companies to raise capital without undue regulatory burden. With some support and guidance, we have seen firsthand how junior companies grow into major players, further fostering innovation and job creation for Alberta.

The industries we regulate: The ASC oversees the diverse and varied types of businesses that make up the Alberta capital market. Overall, 42% of Alberta-based public companies are involved in oil and gas, which represents 75% of the aggregate capital market value of publicly listed issuers in Alberta. The ASC is an acknowledged leader in the field of oil and gas regulation and is the only Canadian securities regulator with a dedicated group of experts focused on the oil and gas industry.

Shaun Fluker,
Legal Counsel, Market Regulation and
Patricia van de Sande,
Securities Analyst, Corporate Finance



To foster a strong and healthy Alberta economy, we strive to ensure that market rules and regulations are clear, fair and manageable so that businesses may continue to thrive and investors feel confident that they are getting the information they need to make their investment decisions.”



Megan Quek,
Legal Counsel, Market Regulation

Regulate

Who we regulate: The ASC oversees any individual or entity in Alberta that advises on, trades in or raises money through issuing securities.

Issuers: We require businesses wishing to raise capital in Alberta’s market to file and distribute timely and accurate information about their operations so that investors have access to meaningful information.

Active Reporting Issuers

6,557

Prospectuses and Rights Offerings Filed in Alberta

Prospectuses	1,078
Capital pool companies	34
Rights offerings	17

Registrants: We require those who wish to sell securities in Alberta to register to ensure they have the competence and integrity needed to uphold the ASC’s standards for registrants.

Registered Individuals in Alberta

26,893

Dealers	24,016
Advisers	2,877

Registered Firms in Alberta

533

Dealers	263
Advisers	270

Self-Regulatory Organizations (SROs) and Exchanges:

We jointly oversee the TSX Venture Exchange with the British Columbia Securities Commission and regulate the activities in Alberta of Market Regulation Services Inc., the Investment Dealers Association of Canada, the Mutual Fund Dealers Association of Canada, the Natural Gas Exchange Inc., NetThruPut Inc. and Alberta Watt Exchange Limited.

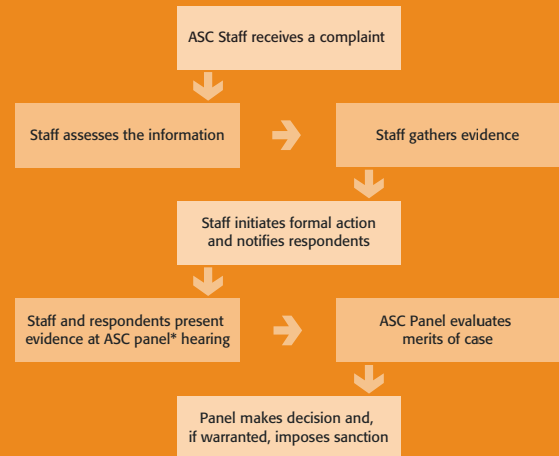


When we detect possible misconduct in the market, we act quickly and decisively to protect investors. We will not tolerate those who threaten the integrity of Alberta's capital market."

Investigate

In enforcing the Alberta Securities Act (the Act), the ASC is empowered to take certain actions to protect the integrity of Alberta's capital market.

Proceeding from complaint to decision



*An ASC panel is made up of two or more Commission Members who are designated by the Chair of the ASC. All 13 Commission Members are appointed by Alberta's Lieutenant Governor in Council.

The ASC can:

- impose fines known as "administrative penalties" per contravention of the Act of up to \$1 million, freeze assets and ban from the market those who breach the Act;
- stop businesses or individuals from trading securities during an investigation;
- stop the trading in securities of a business if it fails to file the required information;
- pursue offenders in Provincial Court as an agent of the Crown, with the power to seek jail terms of up to five years less a day and fines of up to \$5 million.

The ASC does not:

- get money back for investors;
- offer investment or legal advice;
- comment on any aspect of an investigation.

Complaints

562

Hearings

25 (91 days of hearings)

Investigations

448

Settlements

14

Dave Smiley, Manager, Investigations and Don Young, Manager, Litigation



The ASC issues investor alerts and promotes investor education to help investors protect their hard-earned money. If investors take the time to do their homework, they can reduce their chances of falling victim to a scheme or entering into an unsuitable investment.”



Dolores Ivany-Fagan, Adviser, Public Information and Inquiries and
Lorinda Brinton, Adviser, Investor Education

Educate

Investors

The ASC builds strategic partnerships with other regulators and organizations to identify potential investment schemes that could harm Albertans.

We remind investors of their responsibility to look for the warning signs in any investment opportunity:

- promises of unreasonably high rates of return with little or no risk.
- talk of moving the investment offshore and tax avoidance.
- pressure to invest immediately, without independent expert advice.
- invitation to meet about a secret or private opportunity.
- non-existent or hard-to-understand written documentation.

Investors must do their homework when investing and remember that if an investment opportunity seems too good to be true, it probably is.

Industry

We offer ongoing ASC information sessions to industry to help businesses and advisers get up to speed on the latest rules and standards so they can confidently participate in the Alberta market.

Our annual *Continuous Disclosure Review Program Report* and *Oil and Gas Review Report* highlight our observations on compliance issues and trends in reporting with the aim of continually improving disclosure.

Both investors and industry can learn more about what is required to participate in Alberta’s capital market by visiting our website at www.albertasecurities.com or contacting the ASC’s Public Inquiries Line at 1-877-355-4488. Last year, the ASC fielded more than 2,900 public inquiries.

Message from the Chair



The landscape of securities regulation in Canada continues to evolve and adapt to the ever-changing environment of the capital markets. Over the past year, we have added resources and a diversity of skills at the ASC to respond to the unprecedented growth of Alberta's population, economy, oil and gas industry, market capital representation and investment industry. In doing so, we have effectively continued to advance the harmonization of securities regulation in Canada, improve the enforcement of securities laws in the province, educate Albertans about the risks of investment, fine-tune the regulatory regime for oil and gas disclosure, promote the principles of the Alberta business community in national policy development and expand our role in the oversight of the province's investment community and securities exchanges.

The Significance of Alberta's Market

Recent statistics clearly give evidence to the key role Alberta's capital market plays in the success of Canada's economy. From December 2003 to December 2006 the aggregate market capitalization of companies listed on the TSX and TSXV grew by 81% from \$1.17 trillion to \$2.12 trillion. Of that growth, Alberta-based companies accounted for 37%. Further, Alberta's overall share of the aggregate Canadian market capitalization of companies listed on the two exchanges grew by 8% from 2003 to 2006. As a result, at the end of 2006 Alberta companies represented 26% of the country's market capitalization and Alberta is home to the second most significant capital market in Canada. Ontario companies represent 41% of the overall market capitalization, while Québec companies represent 11% and British Columbia companies represent 8%. The remaining provinces together represent 14% of the Canadian total.

Within our thriving Alberta business environment, oil and gas continues to prosper as the second most significant industry in Canada, representing 75% of Alberta's capital market and approximately 25% of the aggregate market capital of all Canadian public companies at the end of 2006 (up from 20% at the end of 2003)¹. Trading in oil and gas securities on the TSXV and TSX has grown from \$800 million and \$90.2 billion, respectively, in 2002 to \$8 billion and \$339 billion, respectively, in 2006. On a global level, approximately 47% of the world's public oil and gas companies are listed on the TSX and TSXV and approximately 69% of those companies are headquartered in Alberta².

(1) In this report, all references to aggregate market capital are exclusive to companies listed on the TSX and TSXV.

(2) Statistics from the TSX Group Inc.

Connected to Alberta's Market

At the ASC, we recognize and understand not only the significance of the Alberta capital market and the oil and gas industry but also the features identified within the Alberta business environment that have contributed to its growth and security:

- cost-effective and efficient access to capital is essential to the creation and continued existence of entities engaged in the oil and gas industry.
- small public companies are an important component of the Alberta business community and capital market, providing growth, employment and opportunity for entrepreneurial expression and innovation.
- boards of directors are entrusted with providing responsible oversight, policy direction, expertise, enlightened counsel and an environment in which the talents and ambitions of management can be challenged, the interests of shareholders and investors protected and the growth of companies maximized.
- risk is an assumed element of the oil and gas industry, small companies and innovative enterprises.

Having recognized the foregoing features, we endeavour, through the ASC's participation in national policy debates, to enhance the efficiency and integrity of the capital markets, assist in the creation, growth and maturation of small public companies, preserve an environment in which directors may make positive contributions to their organizations, and address risk by requiring clear, meaningful and timely disclosure.

Working Nationally, Regulating Locally

Through our efforts this past year with the other 12 provincial and territorial securities regulatory bodies that make up the Canadian Securities Administrators (CSA), I believe we have made significant strides in enhancing participants' experience in the Alberta capital market and advancing investor protection. Some examples are reflected in key policies the CSA published for comment:

- proposed National Instrument 11-102 *Passport System*, articulating the second phase of the Passport System of securities regulation;
- proposed replacement of Multilateral Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*, addressing the issues of disclosure and financial controls;

**Good Career.
Full Life. Get both.**



Vanessa Avila, Colin McDonald
and Julia Zilke

"I came over from private practice after realizing that the ASC is the place to be in terms of practicing the law that has the greatest impact on Alberta's booming economy. At the ASC, I get to work in a dynamic and professional culture that is supportive of the need to balance a challenging career with my personal interests."

Colin McDonald,
*Senior Legal Counsel,
Office of the General Counsel*

The ASC works hard to be an attractive employer by providing unique opportunities, competitive pay, and interesting and challenging work in a variety of different areas. At the ASC, you will find a variety of skilled professionals who are passionate about maintaining the integrity of Alberta's capital market with a focus on fostering a fair and level playing field for all market participants.

At the ASC we promote an environment where employees can have both interesting and rewarding work and a healthy work/life balance.

Oil and Gas

“With the oil and gas industry making up the majority of the Alberta market, the ASC has firsthand experience and expertise in developing oil and gas rules that regulate the industry fairly without negatively impacting its ability to operate.”



David Elliott, Ph.D.
Chief Petroleum Adviser David Elliott and Blaine Young

Widely recognized across Canada and the world as a leader in the field of oil and gas disclosure rules and regulation, the ASC is the only securities regulator in Canada with a dedicated team of oil and gas experts. In Fiscal 2007 they had a busy year. Not only were they carrying out extensive public consultation on the recently introduced amendments to National Instrument 51-101 (NI 51-101) *Standards of Disclosure for Oil and Gas Activities*, but they were also spreading the word about oil and gas disclosure abroad. “With our work on developing and implementing NI 51-101, we have captured the attention of many who are interested in how best to disclose their oil and gas resources,” says Blaine Young, Associate Director, Corporate Finance. The ASC’s oil and gas experts were invited to share their knowledge with international delegates at conferences held by the United Nations and the Massachusetts Institute of Technology.

- National Instrument 31-103 *Registration Requirements*, proposing a material overhaul of the registration regime for persons engaged in the businesses of securities trading and advising;
- proposed amendments to National Instrument 51-101 *Standards of Disclosure for Oil and Gas Activities*, fine-tuning this key disclosure rule in light of experience since its implementation in 2003;
- a replacement for Form 51-102F6 *Statement of Executive Compensation*, to enhance the disclosure by public companies of their executive compensation policies and practices;
- National Instrument 62-104 *Take-over Bids and Issuer Bids*, proposing the harmonizing of take-over bid and issuer bid rules across the country; and
- proposed National Instrument 41-101 *General Prospectus Requirements*, which would update and fully harmonize prospectus disclosure requirements nationwide.

In addition, the CSA has addressed a wide variety of other matters this past year including “soft dollar” arrangements, “best execution” and “trade-through”, principal protected notes, income trust disclosure, hedge funds, forward-looking financial information, options backdating and the use of eXtensible Business Reporting Language (XBRL), to name a few.

Harmonization of Canada’s securities laws and regulations remains a priority for all participants in the capital markets, the governments of all provinces and territories and all members of the CSA. With the imminent completion of projects dedicated to prospectus and registration requirements, we will have substantially achieved effective harmonization of the basic mandatory elements of securities regulation in Canada.

The proposed passport system will streamline the regulatory process. If Ontario joins with the other 12 jurisdictions, Canada will have achieved a securities-regulatory regime that is governed by one harmonized set of rules and accessed by participants through one regulator.

Legislative Initiatives

The provincial government and legislature has greatly assisted the evolution of securities regulation in the Province of Alberta. One of the most significant legislative developments was the introduction of the Secondary Market Civil Liability regime, which became a feature of the Alberta regime effective December 31, 2006 following proclamation of the relevant provisions of the Securities Amendment Act, 2006. Prior to the introduction of this regime, only the primary market carried with it the protection of statutory liability for misrepresentations, despite the fact that over 90% of trading occurs in the secondary market. The new regime addresses this regulatory asymmetry. Another very

significant legislative initiative was the introduction of provisions relevant to the implementation of the second phase of Passport, which has now received Royal Assent. Many of the provisions contained in the 2006 and 2007 *Securities Amendment Acts* are aimed at advancing the harmonization efforts mentioned previously. Further, an Order-in-Council authorized a new fee schedule for the ASC in August 2006. Finally, the *Securities Transfer Act*, governing the transfer and holding of interests in securities, was made effective January 1, 2007.

Market Education

As regulators, we expect our market participants to act responsibly and appropriately and do their part to promote the integrity of Alberta's capital market and investor confidence. This past year we continued to offer focused and relevant education programs that provided timely, practical information to help industry and investors confidently participate in our capital market. Some of our education initiatives included:

- presenting information sessions to the community concerning new or evolving policy initiatives;
- participating in industry and educational organization seminars and conferences;
- joining with other CSA jurisdictions in national education initiatives;
- publishing reports on continuous disclosure, oil and gas disclosure and the Alberta capital market; and
- providing resources to educators and students for the purpose of promoting investor education.

During the past year, we proactively warned Albertans about tax-free, offshore investment opportunities that promised unreasonably high rates of return with minimal risk. In January, we issued our first joint investor alert with the British Columbia Securities Commission in response to reports of a suspicious investment scheme operating in B.C. and Alberta. We then launched an Alberta-wide print and radio campaign in more than 100 newspapers and 67 radio stations aimed at reaching all Albertans with a list of warning signs about this investment. We are pleased our "investor alerts" caught the attention of Albertans, hundreds of whom took the time to investigate the investment opportunity and find the answers to their questions by calling the ASC or visiting our website before they made their decision whether to invest.

Enforcement

Securities law enforcement is the subject of considerable public, regulatory and media comment in Canada and elsewhere. The ASC has made it a priority that all components of the process (investigation, litigation and adjudication) are initiated and completed within

Secondment



Ted Brown and Dale Masson

"To carry on a successful legal practice in the capital markets, it is vital to understand what the laws are, but more importantly, why they are in place. Working with the skilled staff at the ASC has provided me with valuable insight into the design and objectives of securities regulation."

Dale Masson
ASC Legal Counsel Seconded
Burnet, Duckworth
& Palmer LLP

At the ASC, we actively promote our secondment program, where professionals from both the accounting and legal community can spend time working inside the ASC. This allows them to better understand how securities regulation affects their practice and clients and what the ASC is doing to advance securities regulation and policy development in Canada. Secondees gain an inside understanding of the regulatory process, help develop securities regulation, review filings and build relationships within the organization that regulates the capital markets.

"Working on CSA policy initiatives that define securities regulation in Canada for the future was an invaluable experience. It gave me additional understanding of the reason and rationale for securities regulation, which has helped me immensely in my legal practice," says Ted Brown, former seconded (Burnet, Duckworth & Palmer LLP).

FasTrac

“With the creation of the FasTrac unit, we’re able to investigate insider trading in Alberta that much sooner. When it is detected, the ASC will investigate and pursue meaningful sanctions to preserve investor confidence in the integrity of Alberta’s capital market.”

Marc Arseneault

Manager, Case Assessment



Barb Bauer and Dale Fisher, members of FasTrac team.

In April 2006, the ASC established its FasTrac unit, a team of investigators dedicated to the timely investigation of illegal insider trading. Previously, Market Regulation Services Inc. (RS) would detect possible illegal insider trading, research the case, and then assess if it should be forwarded to the ASC. The process would often take 9–12 months to complete, making it very difficult for the ASC to garner timely information from further investigation.

Due to changes instituted by the ASC, RS now sends cases to our FasTrac unit within weeks of detection, as compared to up to a year. This change in process allows the FasTrac unit to jump on a case faster, make an assessment quickly and start an investigation where needed. The result? We’re on top of illegal insider trading cases in a matter of weeks, instead of months.

FasTrac units have been set up in each of the jurisdictions that supervise an exchange: Alberta, British Columbia, Ontario and Québec.

the shortest possible time frames while respecting the principles of fairness, due process and confidentiality. In addition, we have examined our processes to determine how best to pursue focused, risk-oriented strategies and to establish meaningful and effective key performance indicators. We have a talented, dedicated team who devoted more than 90 hearing days last year pursuing alleged breaches of the Act. Our efforts were highlighted by the \$7.6 million settlement (the largest ever for the ASC) with a market participant in connection with breaches of insider trading rules and the delivery of the ASC panel’s findings of liability in the Blue Range hearing – a very long and complex case involving 137 days of evidence and applications, 33 witnesses, more than 20,000 pages of transcripts and approximately 1,600 exhibits.

We acknowledge that changes and improvements must continue to be made regarding the rigour and speed of securities laws enforcement and the level of progress being made in the harmonization of securities regulation across Canada. In each case, perceptions may be more negative than are supported by reality. Nevertheless, we recognize that we must continue to deliver results and improve the manner in which results are measured and communicated.

ASC’s Team

Over this past year we have established a strong, solid executive team that is focused on protecting and supporting Alberta’s capital market. Despite a highly competitive market for talent, we are pleased that we were successful over the past year in attracting strong candidates to the ASC. In all, personnel grew from 121 at March 31, 2006 to 139 at March 31, 2007. During Fiscal 2007, we also addressed employee issues highlighted in previously delivered external reports, and reviewed, updated and consolidated all employment policies, finalized and implemented a corporate crisis management plan, acquired and improved office space and completed a full review of compensation practices.

ASC Governance

In connection with the governance practices of the ASC, we rewrote our conflict of interest policy, reworked the mandates of our member committees and constituted a new governance committee, all of which were then approved by our Commission members. Following on the appointment of five new members in April 2006, three new members, Roderick McKay, Kenneth Potter and Glen Roane, were added in April 2007. The position of Lead Independent Member was created as at April 1, 2006 and filled by Dennis Anderson. I am pleased that Mr. Anderson has been re-appointed to that position for the current fiscal year.

We are extremely grateful for the talents and breadth of experience brought to the ASC by our 10 independent members. In that regard, I express personal gratitude for the contributions of recently retired members David Betts, Roderick McLeod and James Millard. The ASC has been well served by each of them.

Outlook

We have built the ASC's business plan for the current fiscal year around a single proposition. We intend to be, and believe we will be, the best securities regulator possible. Our executive team developed detailed strategic initiatives for their specific departments with that goal in mind.

In Corporate Finance, we're increasing compliance review, overhauling the continuous disclosure review program and developing a two-tier regulation model to propose the appropriate level of regulation for our more junior issuers who are very important to the success of Alberta's capital market. In Enforcement, we have initiated a new process to accelerate action in illegal insider trading cases (see sidebar on FasTrac team) and taken a more proactive approach by analyzing the most significant risks to the Alberta capital market. In Market Regulation, we remain focused on completing the CSA registration reform project to streamline rules for registrants, analyzing compliance with the "suitability" obligation by registrants and developing internal qualitative benchmarks to encourage the highest quality advisers for Alberta investors. In the Office of the General Counsel, we plan to expand the Alberta capital market analysis to include the exempt market and provide the necessary background information to ensure our capital raising exemptions system remains as effective as possible. We're also developing an ASC Administrative Hearing Manual in an effort to streamline the hearing process for both ASC staff and respondents. In the Office of the Chief Accountant, we're expanding the review of financial disclosure and enhancing our staff training program focused on maintaining our knowledge of current developments in accounting to effectively administer our compliance reviews. In Corporate Resources, we are developing a comprehensive health, safety and security program, undertaking a succession planning analysis, and focusing on the continuous improvement of information technology and the modernization of internal business applications to enhance the workplace for our employees. In Communications & Investor Education, we are revamping the ASC Investor Education program and refreshing the ASC website to ensure market participants are able to find the information they need. In Financial Services, we're upgrading financial reporting tools to further enhance our internal control systems. In all, we believe these efforts will further improve the ASC, allow us to contribute to the efficiency of Alberta's capital markets and, in turn, strengthen Alberta's economy.

At the ASC, we stay well connected to the Alberta business community and we work hard at both the national and local levels to support the unique features that are fundamental to its success. We have the resources, expertise and motivation to provide the best possible regulatory environment for creating capital opportunities in Alberta that attract informed investment. We are committed to advancing those policies and procedures and providing the level of service necessary to achieve our goal.



William S. Rice, Q.C.,
Chair and Chief Executive Officer

Commission Members

Alberta's Lieutenant Governor in Council appoints the ASC Commission Members. Of the 13 Commission Members, three (the Chair and two Vice-Chairs) are involved in the day-to-day activities of the ASC and are not "Independent Members" as that term is applied in Multilateral Instrument 52-110 *Audit Committees* (MI 52-110). The remaining 10 Members are all Independent Members, with one person from that group designated as the "Lead Independent Member". Meetings of the Commission Members are held on a monthly basis and the Independent Members meet in-camera following each meeting. All ASC board committees, the Audit, Human Resources, and Governance Committees, are exclusively made up of Independent Members. Further, the Audit Committee Members are all financially literate as that term is used in MI 52-110.

Members determine policy, consider and approve new rules and recommend changes to the Alberta Securities Act, the regulations made pursuant to the Act, and the Alberta Securities Commission Rules. They are also empowered to grant discretionary exemptions from the requirements of Alberta securities laws and to conduct hearings into matters that affect the public interest in Alberta's capital market. In addition, the Members act as the ASC's board of directors, overseeing the management of the ASC.



William S. Rice, Q.C.
Chair

Bill Rice was appointed Chair and Chief Executive Officer of the Alberta Securities Commission in July 2005 and acts as ex officio member on all ASC Committees. At the time of his appointment, he had over 25 years of experience as a securities lawyer and had most recently concluded a 32-year career with the Bennett Jones LLP law firm as its national managing partner.

Mr. Rice has also had extensive board and chair responsibilities with both public and private companies.



Glenda A. Campbell, Q.C.
Vice-Chair

Ms. Campbell was appointed Vice-Chair in September 1999. Prior to that, she served the ASC as Director, Legal Services and Policy Development and was instrumental in creating a national voice for Alberta through the development of policies and legislation at the national and local levels with a view to harmonizing the securities regime in Canada. Ms. Campbell has lectured extensively in professional continuing education seminars and has authored a number of papers.



Stephen R. Murison
Vice-Chair

Mr. Murison was appointed Vice-Chair in April 2003. He first joined the ASC as legal counsel in 1997, where he worked extensively on a number of key policy initiatives. Prior to his employment with the ASC, he was a partner with a national law firm where he specialized in taxation, securities and corporate law.

Independent Commission Members



Dennis A. Anderson,
FCA

Mr. Anderson is the ASC's Lead Independent Member. He became a Member in April 2003 and is Chair of the ASC's Audit Committee. Mr. Anderson retired from a successful accounting career with KPMG, where he served as managing partner in Calgary and as a member of that firm's National Policy Board and Western Region Management Committee. Mr. Anderson's career includes a number of positions with firms involved in the energy sector. Most recently, he served as a public member of the Alberta Insurance Council. Mr. Anderson has devoted countless hours to his community, and has served as chairman of the board and president of the Calgary Stampede Foundation.



Beverley A. Brennan,
FCA

Ms. Brennan became a Member in April 2006 and is also a member of the ASC's Audit Committee. She holds an MBA from the University of Saskatchewan and was awarded the FCA designation by both the Institutes of Chartered Accountants of Alberta and Saskatchewan. Ms. Brennan was the CFO (1988–2000) and Corporate Secretary (1992–2003) of Philom Bios Inc., an agricultural biotechnology company. Ms. Brennan served as Chair of the Canadian Institute of Chartered Accountants from 1998 to 1999. She is active on both for-profit (Crown Life Insurance and Philom Bios Inc.) and non-profit boards and consults on governance and strategic issues.



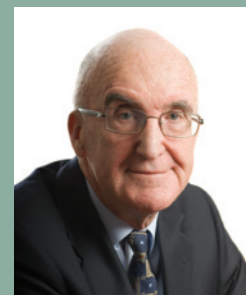
Allan L. Edgeworth,
P. Eng.

Mr. Edgeworth became a Member in April 2006 and is Chair of the ASC's Governance Committee. He served in various executive capacities with Westcoast Energy (now Duke Energy Gas Transmission West) and Alliance Pipeline. A geological engineer by profession, Mr. Edgeworth retired from his position as President and Chief Executive Officer of Alliance Pipeline in December 2004. Mr. Edgeworth is a Director of AltaGas Ltd., Emera Inc. and Pembina Pipeline Corporation, and is actively involved in various community organizations.



Karl M. Ewoniak,
CA

Mr. Ewoniak became a Member in June 2004 and serves on the ASC's Audit Committee. He is a chartered accountant and an insurance and corporate financial consultant with over 30 years of experience as a senior executive in the insurance, retail, trust and mortgage lending sectors. Mr. Ewoniak is the founder and past president of Trans Global Life Insurance Company and Trans Global Insurance Company. He has extensive corporate governance experience, having served on several public and private company boards of directors. He is currently a director of Canadian Direct Insurance Incorporated and Garner Management Ltd.



Honourable J.C. (Jack) Major,
Q.C.

The Honourable J. C. Major became a Member in April 2006 and is a member of the ASC's Governance Committee. He helped shape the legal landscape in Canada through his years as a lawyer, judge and now Counsel. Mr. Major was appointed to the Alberta Court of Appeal in 1991 after 34 years as litigation counsel and to the Supreme Court of Canada in 1992. He retired as a Supreme Court of Canada justice in December 2005 and has since rejoined Bennett Jones LLP as a Counsel.



Roderick McKay
CA

Mr. McKay became a Member in April 2007 and is on the ASC's Audit Committee. He is a chartered accountant who held various executive roles with KPMG's Canadian and international firms until his retirement in September 2006. Educated at the University of Alberta, University of Toronto and Harvard University, Mr. McKay became partner of KPMG in 1977, Partner in Charge, Audit in the Calgary office in 1988, Canadian Managing Partner, Technology 1989 to 2006 and Global Managing Partner, Knowledge for KPMG International from 2000 to 2006.



Neil W. Murphy

Mr. Murphy became a Member in April 2006 and serves on the ASC's Human Resources Committee. He graduated with a B.Sc. from Loyola College (now Concordia University) in Montreal in 1968 and held several managerial positions with Royal Trust Company. In 1985, Mr. Murphy joined RBC Dominion Securities and served as a retail broker in Calgary for 19 years until his retirement in 2004.



Kenneth Potter

Mr. Potter became a Member in April of 2007 and serves on the ASC's Human Resources Committee. He practises in the areas of corporate and securities law as a partner of the Macleod Dixon LLP law firm in Calgary. Holding a LL.B. from the University of Alberta and an LL.M. from the London School of Economics, Mr. Potter has been with Macleod Dixon LLP since 1969. He has taught securities and corporate law as a sessional instructor at the University of Calgary and in New Zealand and has written numerous articles and reports on the subject of securities and corporate law.



Karen A. Prentice,
Q.C., ICD.D

Ms. Prentice became a Member in April 2006 and serves as Chair of the ASC's Human Resources Committee. She holds an LL.B. from the University of Calgary. Ms. Prentice joined the City of Calgary law department in 1987 and subsequently moved to ENMAX Corporation. When she concluded her service at ENMAX in 2005, she was Executive Vice-President, Legal and Corporate Affairs and Corporate Secretary. Ms. Prentice is an active member in the community and is currently a member of the Advisory Board of Homburg Invest Inc., a member of the board of directors of MITACS Inc. and is a volunteer with the Institute of Corporate Directors, Calgary Chapter.



Glen Roane
ICD.D

Mr. Roane became a Member in April 2007 and serves on the ASC's Governance Committee. He is a corporate director who previously spent 18 years in various roles in the Canadian financial services industry. Employers included the Toronto Dominion Bank, Burns Fry Ltd. and Lancaster Financial Inc. Mr. Roane is currently a director of Enerplus Resources Fund, Badger Income Fund, Destiny Resource Services Corp., Flexpipe Systems Inc. and Tarpon Energy Services Ltd. He holds a BA and an MBA from Queen's University in Kingston.



Standing left-to-right: John Petch, Director Enforcement; Steve Slipp, Contoller; Kari Horn, General Counsel.
Sitting left-to-right: Bill Rice, Chair and CEO; Tamera Van Brunt, Director Communications and Investor Education.

Executive Management Duties

Enforcement

The Enforcement Department investigates and prosecutes contraventions of the Alberta Securities Act that come to its attention through a number of sources, including complaints received from members of the public and referrals from other ASC departments and regulatory agencies. The Enforcement Department is comprised of three separate branches—Case Assessment, Investigations and Litigation.

Office of the Chair and Chief Executive Officer

The Chair and Chief Executive Officer is responsible for identifying emerging issues in securities regulation and for leading the ASC to achieve its organizational objectives. The Chair oversees the Communications & Investor Education Department and the Offices of the Executive Director and General Counsel. The Chair is appointed by the Lieutenant Governor in Council and reports to the Members and to the Minister of Finance.

Finance

The Contoller is the ASC's senior financial officer and is responsible for effective budgetary controls, coordination of the business plan and risk management processes, and accurate and timely financial reporting to senior management, Commission Members and the Ministry of Finance.

Office of the General Counsel

The Office of the General Counsel reports to the Chair and provides specialized legal advisory services to the Commission Members, the Chair, the Executive Director and staff on a broad range of operational, transactional and policy projects. The Office of the General Counsel also provides research and advice on emerging issues, as well as guidance to market participants on the interpretation of Alberta securities laws. Responsibility for the corporate secretarial and legislative functions also resides in the Office of the General Counsel.

Communications and Investor Education

The Communications and Investor Education Department provides strategic communications counsel and support to all areas of the ASC to engage and educate internal and external stakeholders in a manner that meets the ASC's organizational objectives. Through the efforts of media relations, investor education, corporate communications, public information and internal communications, the team promotes consistent, relevant and timely communication to support efficient and effective securities regulation in Alberta and throughout Canada.



Standing left-to-right: David McKellar, Director Market Regulation; Danna McLeod, Director Corporate Resources; David Linder, Executive Director. Sitting left-to-right: Fred Snell, Chief Accountant; Tom Graham, Director Corporate Finance.

Market Regulation

Market Regulation provides effective and responsive securities regulation to the Alberta capital market by developing rules and policies, performing targeted compliance examinations, considering registration applications, and registering individuals and firms. Market Regulation is also responsible for oversight of the TSX Venture Exchange, exempt exchanges and self-regulatory organizations, including the Investment Dealers Association, Market Regulation Services and the Mutual Fund Dealers Association.

Office of the Chief Accountant

The Office of the Chief Accountant provides expert opinions to the ASC and Commission Members on accounting, auditing and financial reporting matters. The Office provides assistance to reporting issuers and their advisers on the practical implementation of accounting and financial disclosure standards and other financial reporting matters.

Corporate Resources

The Department of Corporate Resources supports ASC activities by providing service in the areas of information technology, human resources and corporate services including purchasing, security and business continuity, health and safety, facility management and information and records management.

Corporate Finance

Corporate Finance is responsible for reviewing offering documents, monitoring continuous disclosure filings, and making recommendations on applications for exemptive relief from securities legislation. Closely related to these day-to-day services, Corporate Finance is active in the formulation and development of appropriate rules, regulatory instruments, policies, blanket orders and legislative amendments used in the regulation of the Alberta and Canadian capital markets (with a focus on the oil and gas industry).

Office of the Executive Director

The Executive Director reports to the Chair and is the ASC's Chief Administrative Officer, overseeing the Corporate Finance, Corporate Resources, Enforcement, Finance, and Market Regulation departments, and the Office of the Chief Accountant. The Executive Director also participates on the ASC's Human Resources and Audit Committees and chairs the Senior Management and Strategic Policy Committees. Pursuant to the Act, the Executive Director acts in an appellate function from decisions by Market Regulation and Enforcement staff.

Advisory Committees

ASC staff has established four advisory committees of industry representatives who act as a sounding board with respect to the development of new or amended securities regulations and provide an extremely valuable service in helping to keep staff up to date on industry views and current business practices.

Financial Advisory Committee

This committee assists and advises the Office of the Chief Accountant on current and proposed accounting, auditing and securities matters.

Sean Cable, CA
PricewaterhouseCoopers LLP

Ronald E. Ellis, CA
Ernst & Young LLP

Arthur N. Korpach, FCA
CIBC World Markets

Melinda Park,
Borden Ladner Gervais LLP

Philip J. Scherman, CA
KPMG LLP

John A. Thomson, CA
Independent businessman

Ward Zimmer, CA
Deloitte & Touche LLP

Financial Review Committee

This committee reviews and comments on the ASC's annual business plan.

Ian Bruce, FCA
Peters & Co. Limited

Arthur N. Korpach, FCA
CIBC World Markets

Robert Engbloom, Q.C.
Macleod Dixon LLP

Philip J. Scherman, CA
KPMG LLP

Securities Advisory Committee

This committee is comprised of practicing securities lawyers who review and comment on proposed legislation, rules, policies, etc. and provide general advisory services to the ASC.

Stan Magidson (Chair)
Osler, Hoskin & Harcourt LLP

Richard W. Clark
Gowling Lafleur Henderson LLP

Nicholas (Nick) P. Fader
Bennett Jones LLP

Leanne C. Krawchuk
Parlee McLaws LLP

William S. Maslechko
Burnet, Duckworth
& Palmer LLP

John S. Osler
McCarthy Tétrault LLP

Melinda Park
Borden Ladner Gervais LLP

Bryce Tingle
Rock Well Petroleum Inc.

James Thomson
Parlee McLaws LLP

Debra Poon
McCarthy Tétrault LLP

David Robottom
Enbridge Pipelines Inc.

Reserves Advisory Committee

Committee members offer independent advice and opinions to the ASC's Oil and Gas Department on current and proposed legislation and regulatory policies.

Roy Hennig, P.Eng.
Burlington Resources
Canada Ltd.

Stephen E. Balog, P.Eng.
Tasman Exploration Ltd.

John Lacey, P.Eng.
John R. Lacey International Ltd.

Mike Brusset, P.Eng. (retired)
Martin and Brusset Associates

Stephen K. Gordon,
P.Eng. (retired)

Commission Members Committees

Board Committees are made up of the following Independent Members. All are Independent except William S. Rice and Kari Horn, who sit as ex officio where indicated.

Audit Committee

Dennis A. Anderson (Chair)
Beverley A. Brennan
Karl M. Ewoniak
Roderick McKay
William S. Rice (ex officio)

Human Resources Committee

Karen A. Prentice (Chair)
Kenneth Potter
Neil W. Murphy
William S. Rice (ex officio)

Governance Committee

Allan L. Edgeworth (Chair)
Jack Major
Glen Roane
William S. Rice (ex officio)
Kari Horn (ex officio)
Dennis A. Anderson (ex officio)

Three-year Statistical Summary

As of March 31, 2007

	F2007	F2006	F2005
Enforcement Activity			
Complaints received	562	553	551
Concluded investigations	246	215	185
Current investigations	202	122	87
Interim cease trade orders	5	3	7
Settlements	14	10	16
Hearings	25	23	11
ASC settlements and costs levied	\$ 7,981,000	\$ 82,000	\$ 212,000
ASC settlements and costs recovered	\$ 7,790,000	\$ 50,000	\$ 186,500
Administrative penalties levied	\$ 564,000	\$ 620,000	\$ 251,000
Administrative penalties recovered	\$ 84,000	\$ 425,000	\$ 226,500
Prosecutions initiated in Provincial Court	2	1	3
Other court proceedings (including appeals)	5	13	4
Active Reporting Issuers			
Short-form eligible	1,020	829	654
Not Short-form eligible	3,136	3,182	3,183
Mutual fund	2,401	2,155	2,633
Prospectuses and Rights Offerings Filed			
Prospectuses	1,078	812	760
Capital pool companies	34	26	33
Rights offerings	17	14	18
Exemption Applications			
Exemption applications	939	932	944
Registered Firms			
Dealers (mutual funds, securities, exchange contracts, scholarship plans, security issuers)	263	234	215
Advisers	270	246	210
Total firms	533	480	425
Registered Individuals			
Dealers	24,016	22,250	20,397
Advisers	2,877	2,768	2,433
Total individuals registered	26,893	25,018	22,830

Financial Highlights

Summary of Annual Information

(\$ Thousands)

	F2007	F2006
Revenue	\$ 33,398	\$ 22,355
Expense	23,288	20,143
Net Income	10,110	2,212

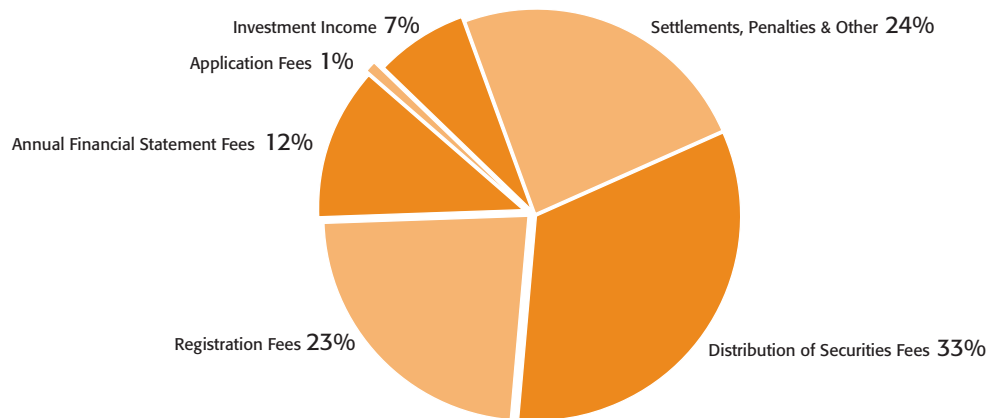
Assets

Cash	4,034	2,542
Investments	32,146	23,316
Capital assets	3,275	1,913
Total assets	40,454	29,012

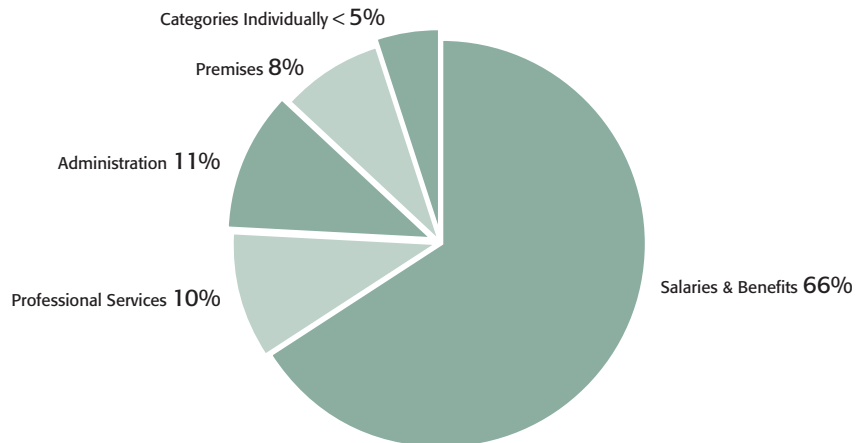
Non-current financial liabilities and Retained Earnings

Lease inducement	370	494
Accrued benefit liability	2,464	2,070
Retained earnings	\$ 34,183	\$ 24,073

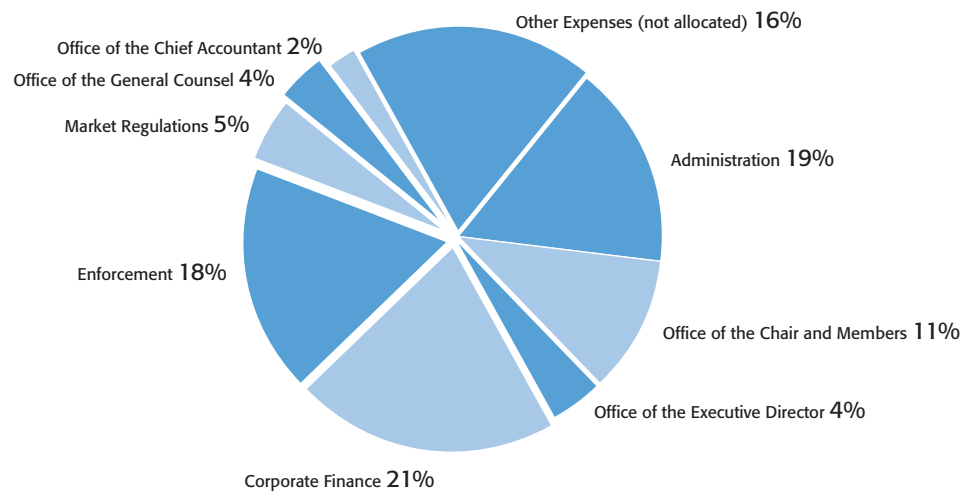
Revenue



Expense



Department Expense



Management's Discussion and Analysis

The financial statements that appear on pages 42-57 in this annual report present the financial position, operating results and cash flows of the Alberta Securities Commission (ASC) in accordance with Canadian public sector generally accepted accounting principles (GAAP) for the fiscal year ended March 31, 2007 with 2006 comparatives and accompanying notes. The comments in this Management's Discussion and Analysis (MD&A), prepared as of May 31, 2007, analyze the ASC's financial performance during the fiscal year ended March 31, 2007 and view for the future.

This MD&A should be read in conjunction with the financial statements. Certain statements included in this annual report are forward-looking and are subject to important risks and uncertainties. Furthermore, some assumptions, although reasonable at the date of publication, are not guarantees of future performance. The results or events predicted in these statements and assumptions may differ materially from actual results or events. Factors that could cause results or events to differ from current expectations are described in the "Risks and Uncertainties" section of this MD&A.

In this MD&A, references to years, for example Fiscal 2007, refer to the fiscal (F) years of the ASC ending March 31.

Overview

The ASC, an industry-funded provincial corporation, is the regulatory agency responsible for administering the province's securities laws. It is entrusted to foster a fair and efficient capital market in Alberta and to protect investors. As a member of the CSA, the ASC works to improve, coordinate and harmonize the regulation of Canada's capital markets.

The ASC is also an administrative tribunal with quasi-judicial powers. Panels hear enforcement proceedings and consider applications for discretionary exemptions from the requirements of Alberta securities laws. In addition, the ASC sits as an appeal body to hear appeals from decisions of the Executive Director, TSXV, Mutual Fund Dealers Association (MFPA) and the Alberta District Council of the Investment Dealers Association (IDA) of Canada.

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

Selected Annual Information

(\$ Thousands)	F2007		F2006	F2005
	Budget	Actual	Actual	Actual
Revenue	\$ 19,787	\$ 33,398	\$ 22,355	\$ 20,963
Expense	25,177	23,288	20,143	17,940
Net Income (loss)	\$ (5,390)	\$ 10,110	\$ 2,212	\$ 3,023
Assets				
Cash		\$ 4,034	\$ 2,542	\$ 3,185
Investments		32,146	23,316	19,790
Capital assets		3,275	1,913	2,124
Total assets		\$ 40,454	\$ 29,012	\$ 26,596
Non-current financial liabilities				
Lease inducement		\$ 370	\$ 494	\$ 618
Accrued benefit liability		2,464	2,070	1,666
Retained earnings		34,183	24,073	21,861
Capital additions	\$ 570	\$ 2,060	\$ 414	\$ 450

Highlights

The ASC's net income in F2007 was \$10.1 million, compared with a budgeted loss of \$5.4 million and a net income of \$2.2 million in F2006. The increase in F2007 net income was largely the result of a record August 2006 settlement receipt of \$7.6 million following an insider trading investigation and increased distribution, financial statement filing and registration fees of \$4 million arising from continued strength in the Alberta capital markets. The revenue increases were partially offset by incremental compensation costs of \$2.5 million resulting from the addition of 15 staff, non-recurring retiring allowances and severance, higher costs for bonuses and additional administration and occupancy costs of \$1.2 million primarily for rent, office operation, travel and member fees.

At March 31, 2007, the ASC had cash and investments of \$36.2 million. The increase of \$10 million from the prior year is attributable primarily to the record settlement proceeds and fee revenues.

Actual Operating Results Compared With Budget

Budgets set important reporting and accountability standards. The ASC prepares an annual budget that is approved by the Commission Members and Alberta's Minister of Finance and consolidated with the Finance Department's budget.

The ASC's net income for F2007 of \$10.1 million surpassed the budgeted loss (including the contingency) by \$15.5 million because administrative penalties, settlement payments and cost recoveries exceeded budget by \$7.6 million, fees and investment income were \$6 million greater than budget and actual expenses were \$1.9 million less than budgeted.

Outlook

Management will focus on several financial trends:

Fee revenue and investment income may fall if equity markets weaken. We expect continued pressures from inflationary compensation demands and costly staff recruitment in the Alberta job market. These trends reinforce the need for the graduated fee increases introduced October 1, 2006 with continuing increases of 7% and 5%, effective April 1, 2007 and 2008, respectively.

Expenditures will increase as staff are added to strengthen enforcement, disclosure compliance, national policy development and information technology processes.

A budgeted loss in F2008 of \$6.4 million, which includes a contingency amount of \$2.5 million, highlights the continued need for strong cost control and the ASC's approach for balance between fee increases and the use of accumulated surpluses to fund current operations.

Analysis of the ASC's operating results for F2007, and plans and expectations for future operations follow.

Analysis of F2007 Operations and Financial Position

Revenue

(\$ Thousands)	F2007		F2006
	Budget	Actual	Actual
Distribution of securities fees	\$ 8,339	\$ 11,345	\$ 9,372
Registration fees	6,478	7,522	6,497
Annual financial statement fees	3,315	4,025	3,125
Order (Application) fees	355	331	291
Total fees	\$ 18,487	\$ 23,223	\$ 19,285
Investment income	1,000	2,238	2,486
Settlement payments and cost recoveries		7,790	50
Administrative penalties	300	121	449
Other		26	85
Total revenue	\$ 19,787	\$ 33,398	\$ 22,355

The ASC obtains revenues primarily from registrants and reporting issuers.

Distribution of securities fees arise from specific activities, such as prospectus and filings distributions of securities in Alberta. Companies are required to pay fees to the ASC upon the filing of a prospectus and other specified disclosure documents, as well as upon the completion of a distribution. Distribution of securities fees are calculated based on the proceeds obtained from distributions placed in Alberta. Public (prospectus) and private (prospectus exempt) distribution of securities fees historically contribute 45% - 50% of ASC fee revenues and are the most variable component of the ASC's revenue base. A major component of distribution of securities fees is exempt distribution fees and fees paid with notices of proceeds in respect of prospectus offerings. This component is based on the size

of each distribution in Alberta. Distribution of securities fees in F2007 were greater than those in the prior year reflecting a robust Alberta capital market and increased access to distribution exemptions arising from rule modifications.

Registration fees from dealers, advisers and salespersons accounted for approximately 32% of fee revenues or \$7.5 million in F2007, consistent with the historical average of 33% or more. These fees are relatively stable as there is a base in Alberta of over 500 firms and 26,893 salespersons. In addition, an average 20% salesperson turnover rate provides additional fee revenue during any given year. This turnover rate fluctuates minimally even in years of poor market performance. Registration fee increases in F2007 reflect a strong Alberta capital market, additional registrants and fee increases averaging 8%.

Annual financial statement filing fees historically account for approximately 16% of fees. However, in F2007 these fees increased \$900,000 from the prior year because of the mid-year fee increase of 8%, 391 new reporting issuers and approximately 200 additional issuers eligible to use the short-form prospectus system. During F2006, eligibility rules for short-form prospectus use were changed and these changes increased the number of reporting issuers electing to use the short-form and pay the related annual fee increase of \$1,750. The total number of reporting issuers in Alberta is approximately 6,557 and remains reasonably stable from year to year.

Other revenue sources:

Investment income includes interest, dividends and capital gains and losses. Investment income in F2007 was comparable to F2006 as changes in F2007 equity and bond fund rates of return and income offset each other and averaged 12% (29% in F2006) and 5.9% (5.5% in F2006), respectively.

Application fees (for ASC orders) were increased from amounts of \$150 or \$300 per application to \$500 effective October 1, 2006. Fees were paid in connection with the approximately 900 applications processed in F2007. The ASC expects application frequency will continue to decline as provincial securities policies and processes are further harmonized. Further, future fees may only be collectible from reporting issuers having the ASC as their principal regulator. If this fee harmonization initiative proceeds, application fees will fall by approximately 80% or \$250,000.

Administrative penalties, settlement payments and cost recoveries are discretionary, depending on the circumstances of specific cases, and vary from year to year. Settlement payments, cost recoveries and administrative penalty revenues of \$7.9 million in F2007 include settlements and cost recoveries of \$7.8 million and administrative penalties of \$121,000. Exclusive of the record August settlement of \$7.6 million, settlement payments, cost recoveries and administrative penalty receipts were \$300,000. This compares with \$499,000 for the prior year and a historic five-year average of approximately \$387,000.

Cash flow from administrative penalties accumulates as restricted cash and is segregated from other assets because of restrictions on the use of these funds. The Alberta Securities Act allows administrative penalties revenue to be used to fund certain expenses to enhance the knowledge and information of persons about the operation of the securities markets. In F2007, invested funds arising from administrative penalties earned interest of \$37,000, while expenses of \$466,000 were deducted, principally for eligible investor education program costs. Restricted cash, composed of interest-bearing deposits, was \$576,000 at March 31, 2007 (\$895,000 in 2006).

The Mutual Fund Industry

The mutual fund industry is a significant contributor to ASC revenues. There are approximately 2,400 active mutual fund issuers (included in the reporting issuer population of 6,557) and more than 10,000 salespersons (included in the 26,893 registered salesperson total) in Alberta. Revenues related to mutual funds in F2007 included fees of: \$2.6 million from annual mutual fund prospectus filings; approximately \$2.4 million from mutual fund prospectus distributions; \$1.5 million from exempt distributions; \$650,000 from mutual fund annual financial statement filing fees; and, approximately \$2.7 million from mutual fund registration fees. These totalled \$9.8 million or 42% of total fee revenues.

Fee Revenue Sensitivity

During F2007, approximately 30% or \$7.1 million (F2006 – 32% or \$6.1 million) of total revenue from fees was derived from fees paid on completion of distributions. A distribution fee is calculated based on proceeds obtained from the distribution. Fees vary with the level of capital market activity, equity appreciation and mutual fund sales. Although fees paid in connection with prospectus distributions and exempt financings for non-mutual fund issuers are received shortly after the distribution date, mutual fund fee revenue including exempt distributions (approximately 55% of distribution fees) is deferred an average of six months from sale date. There is, therefore, always a lag between changes in mutual fund sales and the receipt of mutual fund fees.

Distribution fee revenues for F2007 and F2006 fees are higher than the multi-year historic average because of significant activity within the Alberta capital markets and, in particular, the oil and gas sector. The *ASC Alberta Capital Market Report for 2007* observes that the growth in the oil and gas industry has resulted in Alberta capturing an additional 8% of the aggregate Canadian market capitalization since 2004. Further, that rapid growth of and increased investment in the oil and gas industry have resulted in that industry representing almost 25% of the aggregate capital market value in Canada.

When equity market values are rising, ASC distribution revenues also increase because of increases in public and private securities distributions and mutual fund sales. While equity market activity variances and valuation swings have an impact on ASC revenues, the impact is not proportionately as large as in the broader market because only 25-30% of Commission revenues are directly affected. For example, distribution fees from income trusts were approximately \$890,000 in F2006 and \$370,000 during F2007. The decline in these fees was offset by strength in exempt and other public distributions during F2007. Prospectus filing fees for non-mutual fund securities distributions also vary with market activity. However, this fee source is less than 5% of total fee revenue and has little impact on overall fee results. Other revenue sources, including registration fees, mutual fund prospectus filings and annual financial statements account for 60% of fee revenues and are reasonably stable.

Expenses

(\$ Thousands)	F2007		F2006
	Budget	Actual	Actual
Salaries and benefits	\$ 15,350	\$ 15,329	\$ 12,821
Administration	2,374	2,668	1,840
Professional services	2,162	2,359	1,689
Premises	1,726	1,771	1,435
Amortization	676	695	622
Investor education	600	466	468
Special investigations	–	–	1,268
Contingency	2,289	–	–
Total expenses	\$ 25,177	\$ 23,288	\$ 20,143

Expense Analysis

Expenses in F2007 increased 16% to \$23.3 million from \$20.1 million in F2006. Increased costs arose primarily for: increases in staff compensation and severance of \$2.5 million; Member fees, office operation and travel of \$750,000; occupancy of \$336,000; and staff recruitment, registration administration, and information technology staff and projects of \$900,000. These increases were partially offset by the non-recurrence of F2006 special investigation costs of \$1.3 million.

Salaries and benefits accounted for 66% of operating expenses (F2006 – 64%) and increased \$2.5 million in F2007. Increases were the result of staff additions, annual salary adjustments of 4%, higher bonus costs and incremental retiring allowance and severance costs. There were an average 132 full-time staff during the year (F2006 – 117). The completion of reorganization initiatives that began in F2006 resulted in approximately \$400,000 of incremental retirement and severance costs in F2007.

Compensation includes a performance-based incentive program that represents 7.2% of total salary and benefit costs. Total bonus payments are reviewed and approved by the Commission. The Minister of Finance approves Chair, Vice-Chair and Member compensation. Annual compensation increases are based on market surveys and projections and included in the annual budget approval process.

Professional services expenses increased \$670,000 from the prior year. Costs include: amounts paid to the IDA to administer Alberta IDA registration; costs of CSA operations; and professional service contracts for litigation support and specialized corporate services. Significant increases include: additional IDA administration fees of \$115,000 due to increases in the number of registrants and the ASC 8% fee increase; recruitment costs of \$250,000 due to the robust Calgary employment market for professionals; and, \$300,000 for information technology projects and consultants that strengthened disaster recovery processes and physical and virtual security.

The ASC, as a member of the CSA, funds a portion of CSA operations. All CSA projects, including the development of harmonized securities policies and rules and shared CSA information systems, are coordinated through a permanent Secretariat located in Montreal. The operating costs of the Secretariat are borne on a formula basis by CSA members and the ASC pays approximately 10%. In F2007 the ASC contributed \$220,000 (F2006 – \$190,000) toward all CSA costs.

Administration

Administration costs increased \$828,000 in F2007. Fees for Independent Commission Members increased \$450,000 the result of increased per diem rates and retainer fees and an additional 35 hearing days attended by Members. Travel expenses increased \$140,000. Most travel expenses relate to coordinating with other CSA jurisdictions on national projects, policy research, rule formulation, and investor education. Office operations increased \$250,000, the result of increased staff, additional office space and desktop computing upgrades that were less than the capitalization threshold. The administration cost category includes advertising, insurance, freight, postage, rental equipment, telephones and communications, repairs and maintenance, Member fees, business consultation, audit fees, materials and supplies and travel.

Premises

Increased occupancy costs arose from higher lease operating costs and the acquisition of additional space to accommodate ASC growth.

Special investigations

Special investigation costs in F2006 resulted from an investigation undertaken by the Independent Commission Members at the direction of the Minister of Finance and subsequent related projects. The investigation was completed in F2006.

2007 Budget

The F2007 budget approved by the Commission and Alberta's Minister of Finance includes a contingency of \$2.3 million for unplanned expenses and revenue shortfalls. The Commission approved additional F2007 operating expenses including: increases to the staff bonus pool of \$400,000; information technology disaster recovery and operations expenses of \$230,000; cost for additional leased space of \$50,000; additional human resources staff; and, various retainer and per diem fees for Members that were also approved by the Minister of Finance as required by the Act. The additional F2007 operating cost approvals were offset by under expenditure in certain budgeted expenses and by revenues that exceeded budget.

Fiscal 2007 Budget to Actual Variances

Total expenses for F2007 of \$23.3 million were consistent with budget, exclusive of the net budget contingency.

Expenses that varied from budget include:

Professional services

Litigation support and enforcement audit follow up costs were \$150,000 less than budget. The Chief Accountant was not able to recruit contract support and certain research projects were deferred resulting in under expenditure of \$100,000, while information technology projects and professional recruiting costs exceeded budget by \$500,000.

Salaries and benefits

Compensation costs approximated budget. While an average 15-position vacancy during the year reduced costs, these savings were offset by retirement and severance payments and increased bonus payments totalling \$1.1 million.

Administration

Administration costs include Independent Member fees, travel, recruitment advertising, insurance and office and technology operations costs. Member fees were \$450,000 over budget because of fee increases and 35 additional hearing days.

Investor Education

In anticipation of strategic initiatives outlined for F2008, the ASC opted to defer proceeding with elements of the Investor Education program in F2007, resulting in less expenditure than budgeted.

Department Expenses

(\$ Thousands)	F2007		F2006
	Budget	Actual	Actual
Office of the Chair and Members	\$ 2,311	\$ 2,678	\$ 2,069
Office of the Executive Director	853	866	920
Enforcement	4,271	4,217	3,415
Corporate Finance	5,365	5,111	3,973
Market Regulation	1,218	1,115	844
Office of the General Counsel	817	832	519
Office of the Chief Accountant	488	366	432
Administration			
Corporate Resources	2,672	2,967	2,488
Communications and Investor Education	982	991	738
Financial Services	507	521	443
Administration total	4,161	4,479	3,669
Other Expenses (not allocated)	5,693	3,624	4,302
Total	\$ 25,177	\$ 23,288	\$ 20,143

Department Expenses

Office of the Chair and Members expenses are primarily salaries (as reported in the Schedule of Salaries and Benefits in the financial statements) of the Chair and the two Vice-Chairs (who are full-time Members of the Commission), Member fees, travel and hearing related transcription services. Member fees increased \$450,000 during F2007 the result of fee increases and increased hearing participation and totalled \$782,000. Of that total, approximately \$406,000 (\$358,000 in 2006) is attributed to governance oversight and approximately \$376,000 (\$108,000 in 2006) is attributed to attendances at and work associated with administrative hearings. Member fees exceeded the budget by approximately \$400,000 as a result of an increase in the number of hearing days and because fee rates were increased April 1, 2007 following the F2007 budget approval. Member fees are payable annually as to \$10,000 by way of retainer, \$2,500 for Committee membership, \$5,000 for Committee chairing and \$5,000 for the Lead Independent Member position. Meeting attendance fees are payable as to \$1,000 for an ASC meeting and \$750 for a Committee meeting. Hearing fees are payable as to \$1,000 per hearing day and \$125 per hour of related preparation, review and decision writing. Members' fees are variable because the duration and number of hearings are not easily forecast.

Office of the Executive Director expenses include CSA payments. A staff retiring allowance increased compensation costs in F2006.

Enforcement expenses increased in 2007 because of six additional staff and marketplace compensation adjustments.

Corporate Finance costs were less than budgeted in F2007 because there were four staff vacancies during the year. Costs increased in F2007 because of severance payments, three additional staff and recruiting costs for professionals.

Market Regulation costs were less than budgeted because not all new staff positions were filled for the full year. However, costs increased from the prior year because of three new staff required for incremental registration policy and compliance initiatives.

Office of the General Counsel incurred costs that were consistent with budget in F2007 and greater than the prior year because of two additional staff.

Office of the Chief Accountant costs were less than budget and the prior year because external project staffing was not available and internal resources were used.

Corporate Resources costs exceeded budget because of incremental information technology projects for disaster recovery and operations that were approved by the Commission during the year.

Communications and Investor Education expenses increased in F2007 because two staff vacancies were filled and there were additional expenditures on communication activities with stakeholders.

Financial Services costs increased because of increased training and salary costs.

Capital Expenditures

During the year, the Commission approved increases of \$1.5 million to the original capital budget of \$560,000. These new capital requirements were necessary for leasehold renovations, office space expansion and related furnishings and an upgraded information technology infrastructure to support the disaster recovery plan and operational enhancements.

Capital expenditures during F2007 included:

Leasehold improvements	\$ 943,000
Information technology	823,000
Office furniture and equipment	294,000
Total	\$ 2.06 million

Leasehold improvements, office furniture and equipment

Office leasehold renovations were undertaken to add office space for additional staff, modernize and relocate the hearing and training rooms and update and add office furnishings.

Information technology

Expenditures were made for network servers, communication equipment, scanning disk capacity additions, related software upgrades, additional storage devices and wiring and audiovisual equipment for the new hearing and training rooms.

2008 Capital budget

Capital expenditures approved by the ASC for F2008 include:

- \$700,000 for information technology software upgrades, scanning disk capacity additions and communication equipment, and
- \$1.2 million for leasehold renovation and related office furniture for reconfiguration of existing and development of new space. These renovations will also accommodate additional staff included in the F2008 budget.

Total planned and Commission approved expenditures of \$1.7 million in F2008 exceed the provincially approved budget of \$480,000. The provincial budget was based on ASC business plans prepared in September 2005 and does not reflect business plan capital requirements for F2008. The province plans to reassess F2008 capital requirements during F2008.

Liquidity and Financial Position

Liquidity

The ASC has sufficient resources to fund its operations and capital purchases. Cash increased by \$1.5 million to \$4 million, while investments increased \$8.8 million to \$32 million. Cash flows from operations were \$11.8 million while capital asset purchases consumed \$1.8 million.

At March 31, 2007, the ASC had working capital of \$838,000, reflecting cyclical fourth quarter cash flow strength, and retained earnings of \$34 million.

Accounts receivable

Accounts receivables at the end of March 2007 were \$32,000 and include \$12,000 of current administrative penalty receivables and employee loans for computer acquisitions. The prior year included a receivable of \$76,000 from the Canada Revenue Agency.

Investments

The ASC's investments are independently managed by the Alberta Investment Manager of the Province of Alberta. The ASC does not participate in capital market investment decisions or transactions. The ASC's investment policy provides guidance relevant to the governance, purpose, size, access, management and asset allocation of the Investment Fund (designated investments totaling \$32 million in F2007 and \$23 million in F2006). The policy is subject to annual review by the ASC's Audit Committee and any changes require Commission approval. The Audit Committee meets with the Investment Manager annually.

Principal features include:

Size: The Investment Fund should be between 50% and 100% of the ASC's average of expected expenses for the current and subsequent year. This range is forecast as \$14.2 million to \$28.4 million during F2008.

Asset allocation

Investments include only a nominal amount of cash. Bond and equity market value allocations are targeted at 25% equities and 75% bonds and can fall within a range of plus/minus 5% (i.e., 20%-30% equities).

Rates of return on investments were:

- Bond fund - The rate of return (based on market value) was 5.9 % in F2007, compared with 5.5% in the prior year.
- Equity funds - The average rate of return (based on market value) for the equity funds was 11.9%, compared with 29.4% in the prior year.
- Money market funds - These returned an average 4.4% in F2007 and 4.0% in the prior year.

While investments are classified as non-current because of their long-term retention objective, they can be accessed on two weeks notice. For F2008, ASC investments will be drawn down to fund operations during the first nine months of F2008 and then increased in the final quarter. In addition, the ASC has access to approximately \$576,000 of restricted cash for specific investor education initiatives, which, for F2008, are estimated at \$600,000.

Investment income for the F2008 budget is estimated at \$1.7 million using rates of return averaging 5% for bonds and 7% for equities and an average total invested balance of approximately \$30 million.

Bond investments are sensitive to interest rate fluctuations. At March 31, 2007 ASC investments included bonds with market values of approximately \$24.1 million. Using the 10-year Government of Canada bond return rate of 4.11% at March 31, 2007 as a benchmark, a 1% increase in this rate will reduce the market value of the ASC's bond investments by approximately \$2.6 million and result in an investment loss, net of interest income, of approximately \$1.5 million during the full fiscal year. If the interest rate change occurs during the year, the book value loss will be proportionately less. The average investment balance of \$30 million reflects transfers to and from investments during the year to meet fluctuations in quarterly cash flows.

Current liabilities

Funds held for other participants of \$135,000 represent cash received and held for a national systems project, the Market Integrity Computer Analysis (MICA). Project work is planned to continue in F2008 and will require additional funding including an estimated \$31,000 from the ASC.

Lease inducements

Remaining lease inducements of \$494,000 arise from an office lease with an eight-year term ending March 31, 2011.

Accrued benefit liability

The accrued benefit liability represents future obligations relating to retirement plans established for certain senior management of the ASC. Expenses are based on actuarial valuations and management's estimation of membership changes between valuation updates. Payments of \$67,000 are anticipated in F2008 and recorded in current liabilities. An actuarial plan valuation was completed for the three-year period commencing April 1, 2006.

Commitments

CDS operates the System for Electronic Document Analysis and Retrieval (SEDAR), the National Registration Database (NRD) and the System for Electronic Disclosure by Insiders (SEDI) systems on behalf of the CSA under various operating agreements. The ASC, as one of the agreement signatories, commits to pay CDS up to 11.7% of any shortfall from approved system operating costs that exceed revenues. Alternatively, CDS must pay to CSA revenues in excess of system operating costs (surplus). The surplus is not divisible; the CSA owns it as a group. CDS payments received from system operating surpluses and interest earned totaled \$16.2 million at March 31, 2007 (\$8.9 million in 2006). This amount is held in trust by the Ontario Securities Commission. The principal CSA administrators, including the ASC, have agreed that surplus amounts can only be used to offset any shortfall in revenues, develop or enhance the systems, and reduce fees.

Quarterly Results Summary

(\$ Thousands)	F2007				F2006			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
	(Jan-Mar)	(Oct-Dec)	(Oct-Dec)	(Apr-June)	(Jan-Mar)	(Oct-Dec)	(Oct-Dec)	(Apr-June)
Revenues								
Fees & other	\$ 12,356	\$ 3,281	\$ 10,904	\$ 4,619	\$ 9,653	\$ 3,170	\$ 2,538	\$ 4,508
Investment income	504	828	637	269	631	352	948	555
	12,860	4,109	11,541	4,888	10,284	3,522	3,486	5,063
Expenses								
Salaries & benefits	4,229	3,821	3,449	3,830	3,465	3,097	2,941	3,318
Other	3,080	1,899	1,468	1,584	2,254	1,306	1,694	2,068
	7,237	5,720	4,917	5,414	5,719	4,403	4,635	5,386
Net income (loss)	\$ 5,623	\$ (1,611)	\$ 6,624	\$ (526)	\$ 4,565	\$ (881)	\$ (1,149)	\$ (323)
Investments	\$ 32,146	\$ 29,480	\$ 29,666	\$ 23,563	\$ 23,316	\$ 20,008	\$ 19,666	\$ 20,327
Cash	\$ 4,034	\$ 742	\$ 1,987	\$ 1,524	\$ 2,542	\$ 669	\$ 1,837	\$ 2,255
Restricted cash	\$ 576	\$ 923	\$ 913	\$ 904	\$ 895	\$ 846	\$ 840	\$ 834

Quarterly Variance Analysis

Fee revenue

Quarterly fee revenue is variable because the timing of fee related filings varies among the reporting issuer population. Further, annual registration renewal fees of \$6.3 million (F2006 -\$5.4 million) are received in January and result in increased fourth quarter fee revenue each year. Second quarter “fees and other” include the \$7.6 million settlement.

Other expenses

Salaries and benefit costs increase in the fourth quarter because the final bonus amount is determined in that quarter. Other expenses vary from quarter to quarter because of timing variability. For example, professional services for litigation support depend on the nature and progress of investigations and technology project timing depends on resource availability.

Contractual Obligations

Commitments to outside organizations with respect to contracts in place as at March 31, 2007 amounted to \$8.3 million (F2006 – \$8.3 million). These commitments become expenses of the ASC when the terms of the contracts are met.

Commitment amounts are primarily comprised of obligations under operating leases that expire on various dates to March 31, 2011. The aggregate amounts payable for these obligations are as follows:

(\$ Thousands)

2007-08	\$ 2,055
2008-09	\$ 2,046
2009-10	\$ 2,078
2010-11	\$ 2,117
Thereafter	–
Total	\$ 8,296

The ASC has contractual commitments for a supplemental pension plan maintained for certain senior executives. Payment amounts are dependent on the future decisions of plan participants and are not included in the summary of contractual obligations because they are recorded as liabilities.

Financial Instruments

The ASC’s financial instruments include cash, accounts receivable, advances and lease inducement receivables, investments and payables. Investments are managed by Alberta’s Ministry of Finance and include derivative contracts for effective investment risk and return management. Details of these financial instruments are included in Notes 1 and 4 of the ASC’s financial statements.

Related Party Transactions

The ASC is related through common ownership to all provincial government ministries, agencies, boards, commissions and crown corporations. The ASC conducted all transactions with these entities as though they were unrelated parties and recorded transaction costs of \$65,000 (\$71,000 in 2006) in administration expense primarily for postage, investment management services and audit.

Fee Restructuring

Following public consultation, the ASC received regulatory approval through Order in Council for fee increases in August 2006. Fee increases on selected fees of 8% commenced October 1, 2006, with further increases of 7% and 5% to be effective April 1, 2007 and April 1, 2008, respectively.

While ASC's fees were increased in F2007 they continue to be among the lowest in Canada. Prior to the current year, ASC fees were last subject to revision in 1997 when fees were reduced an average 20%. The last fee increase occurred in 1993.

Reliance on CDS

CDS operates a number of major systems on behalf of the CSA and the ASC. Approximately 92% (F2006 – 92%) of the ASC's fee revenue is collected through the SEDAR and NRD systems. CDS recovers the costs to operate the systems by charging filers user fees in addition to the fees collected for the ASC and other members of the CSA. The NRD system was launched on March 31, 2003. The current operating agreement for the NRD will run until March 2009. CDS developed a national SEDI system for the CSA, which was launched in May 2003. CDS has backup and disaster recovery processes for these systems that are tested annually. However, if CDS became unwilling or unable to operate one or all of these systems, the ASC and CSA will need to ensure continued operation of these systems because of the material impact on ASC cash flows.

Risk Management Initiatives

The ASC has substantially completed emergency response plans and processes, which are designed to allow the continuation of critical regulatory services should the ASC face a significant disruption to its operations. Individual business continuity plans have been developed for each priority business function. Each plan includes documented recovery procedures, including manual workarounds and mitigation strategies. An offsite recovery service and facility was successfully tested for information systems continuity and future annual testing is planned to ensure continued validity of the plan.

During F2006, the ASC completed a project that assessed ASC-wide risks and existing mitigation strategies. Areas deemed as high risk include Alberta Securities Act contraventions, inaccurate continuous disclosure filings by reporting issuers, a loss of public confidence in the ASC and emergency response plans and processes. The ASC believes

that existing business processes are well designed to minimize these risks and that these processes were further strengthened following implementation of recommendations from a number of organizational reviews carried out during F2006. These reviews included human resource management, disaster recovery and related information technology system restructuring, enforcement business processes, governance committee formation, communications benchmarking and investor education redesign. As a result, quarterly risk assessment reports, planned for F2007 were deferred to F2008 and will assist in monitoring these risks and related mitigation processes on an ongoing basis.

Memorandum Of Understanding

Alberta's Minister of Finance entered into a Memorandum of Understanding (MOU) with the ASC that outlines the ongoing roles, responsibilities and accountability relationships between the two parties. The MOU requires Ministerial approval of annual ASC budgets and any subsequent changes that materially modify the budget, inclusion of a contingency provision in the budget not to exceed 10% of expenses, and quarterly ASC reporting to the Minister of actual financial results and budget updates.

Fiscal 2008 Outlook

Revenues

The ASC F2008 budget revenues of \$23.6 million include selective full year fee increases of 7% and growth of 5% from mutual fund and exempt security distributions in Alberta. The fees budget also includes \$300,000 of receipts from administrative penalties, settlement payments and cost recoveries that are less than the five-year historical average of approximately \$400,000 exclusive of the record \$7.6 million settlement in 2007.

Expenses

ASC expenses are budgeted at \$30 million, an increase of \$6.7 million from F2007 actual expenses of \$23.3 million. The projected increase is primarily a result of:

- compensation adjustments averaging 5% (\$600,000), a further \$1.5 million (including benefits) for 13 additional staff primarily for market regulation, enforcement, hearing, policy, continuous disclosure and information technology processes, and a reduced average staff vacancy rate accounting for an additional \$1.3 million;
- a contingency provision of \$2.7 million;
- increased amortization of \$300,000 reflecting leasehold additions; and,
- \$750,000 for professional services, member fee increases and additional occupancy costs.

Loss

An operating loss of \$6.4 million is forecast, including full contingency expenditure of \$2.7 million. Actual experience over the last four years has not required any contingency expenditure.

Staff costs

Costs for existing staff will continue to increase with annual compensation inflation and marketplace competition for seasoned securities market professionals. In addition, the ASC has forecast future staff increases of five positions annually for the next two years to meet emerging demands for more resources. These demands arise from the need for a strong Alberta policy presence at the CSA and increasing stakeholder expectations of enforcement and compliance functions. Staff levels and costs continue to be reviewed.

Liquidity and Cash Flow

The ASC operates primarily on a cash basis. Cash requirements for F2008 are estimated at \$4.8 million. The cash requirement includes March 31, 2007 payable reductions of \$1 million and the F2008 budgeted loss, excluding the contingency and certain non-cash expenses primarily for amortization net of capital additions and pension liability accruals. Cash is available from existing cash and investment balances.

Risks And Uncertainties

Budgets for F2008 are based on the ASC's experience and assessment of historical and future trends and the application of key assumptions relating to future events. Factors that could cause actual results to differ materially include:

- capital market volatility and the impact on distribution of securities fee revenues;
- disruption of CDS fee processing that delays fee receipts;
- the potential for higher actual costs to be incurred in connection with CSA-sponsored national projects;
- implications of the ongoing discussions on securities regulatory reform in Canada; and
- unexpected financial requirements arising from contingencies and government budget revisions.

Management's Report

The financial statements included in this annual report are the responsibility of management and have been approved by the Members of the Commission. These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles (GAAP) for the public sector.

Financial information contained elsewhere in this annual report is consistent with the financial statements.

The Auditor General of Alberta has examined the financial statements. The ASC's Audit Committee meets with management and with the Auditor General to review issues relating to audit plans and outcomes, internal control, accounting policy and financial reporting. The Audit Committee reports its findings to the Commission Members for their consideration in approving the financial statements.



William S. Rice, Q.C.,
Chair and Chief Executive Officer



David C. Linder,
Executive Director

Auditor's Report

To the Members of the Alberta Securities Commission

I have audited the balance sheet of the Alberta Securities Commission (ASC) as at March 31, 2007 and the statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the ASC's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the ASC as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Edmonton, Alberta
May 18, 2007

FCA
Auditor General

Financial Statements

March 31, 2007



43 Balance Sheet

44 Statement of Income and Retained Earnings

45 Statement of Cash Flows

46 Notes to Financial Statements

55 Schedule of Salaries and Benefits

Balance Sheet

As at March 31, 2007

(\$ Thousands)

	2007	2006
Assets		
Current		
Cash (Note 4)	\$ 4,034	\$ 2,542
Funds held for others (Note 9)	135	4
Accounts receivable	32	98
Prepaid expenses	74	112
	<u>\$ 4,275</u>	<u>\$ 2,756</u>
Non-current		
Restricted cash (Note 3)	576	895
Investments (Note 4)	32,146	23,316
Capital assets (Note 6)	3,275	1,913
Lease deposit and penalties	182	132
	<u>36,179</u>	<u>26,256</u>
Total assets	<u>\$ 40,454</u>	<u>\$ 29,012</u>
Liabilities and retained earnings		
Current		
Funds held for others (Note 9)	\$ 135	\$ 4
Accounts payable and accrued liabilities	2,710	1,612
Accrued vacation and benefit liabilities	468	635
Lease inducement (Note 7)	124	124
	<u>3,437</u>	<u>2,375</u>
Non-current		
Lease Inducement (Note 7)	370	494
Accrued benefit liability (Note 8)	2,464	2,070
Total liabilities	<u>6,271</u>	<u>4,939</u>
Retained earnings (Note 3)	34,183	24,073
Total liabilities and retained earnings	<u>\$ 40,454</u>	<u>\$ 29,012</u>

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

Approved by the Members



William S. Rice, Q.C., Chair and Chief Executive Officer



Dennis A. Anderson, FCA, Member

Statement of Income and Retained Earnings

For the Year Ended March 31, 2007

(\$ Thousands)

	2007		2006
	Budget (Note 12)	Actual	Actual
Revenue			
Fees (Note 10)	\$ 18,487	\$ 23,223	\$ 19,285
Investment income (Note 5)	1,000	2,238	2,486
Settlement payments and cost recoveries (Note 10)	–	7,790	50
Conference fees	–	26	85
Administrative penalties revenue (Note 3)	300	121	449
Total revenue	19,787	33,398	22,355
Expense			
Salaries and benefits	15,350	15,329	12,821
Administration	2,374	2,668	1,840
Professional services	2,162	2,359	1,689
Premises	1,726	1,771	1,435
Amortization	676	695	622
Investor education (Note 3)	600	466	468
Special investigations (Note 13)	–	–	1,268
Total expense	22,888	23,288	20,143
Budget contingency	2,289		
Net income (loss)	\$ (5,390)	10,110	2,212
Opening retained earnings		24,073	21,861
Closing retained earnings (Note 3)		\$ 34,183	\$ 24,073

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

Statement of Cash Flows

For the Year Ended March 31, 2007

(\$ Thousands)

	2007	2006
Cash flows from operating activities		
Fees and other	\$ 23,312	\$ 19,383
Settlement payments and cost recoveries	7,790	50
Payments to and on behalf of employees	(14,521)	(12,356)
Payments to suppliers for goods and services	(7,030)	(5,476)
Payments for special investigations (Note 13)	(17)	(1,476)
Investment income	2,238	2,486
Cash advanced to MICA project (Note 9)	–	(8)
Administrative penalties	59	449
Cash flows from operating activities	11,831	3,052
Cash flows from capital activities		
Lease inducement received	–	389
Proceeds on disposal of capital assets	3	3
Cash used to acquire capital assets (1)	(1,831)	(495)
Cash used for capital activities	(1,828)	(103)
Cash flows from investing activities		
Decrease (increase) in restricted cash	319	(66)
Cash used for investments	(8,830)	(3,526)
Cash used in investing activities	(8,511)	(3,592)
Increase (decrease) in cash	1,492	(643)
Opening cash	2,542	3,185
Closing cash	\$ 4,034	\$ 2,542
Supplemental cash flow information		
(1) Additions to capital assets	\$ (2,060)	\$ (414)
Increases (decreases) in accrued liabilities for capital assets	229	(81)
	\$ (1,831)	\$ (495)

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

Notes to the Financial Statements

March 31, 2007

(\$ Thousands)

Note 1 Nature of Operations

The Alberta Securities Commission (ASC), an industry-funded provincial corporation operating under the Act, is the regulatory agency responsible for administering the province's securities laws.

The ASC's investments are independently managed by the Alberta Investment Manager of the Province of Alberta. The ASC does not participate in capital market investment decisions or transactions.

The ASC, as an Alberta provincial corporation, is exempt from income tax.

Note 2 Significant Accounting Policies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles for the public sector.

The Alberta Investment Manager and Minister of Finance administer and report all ASC investments and cash balances using the accounting policies outlined in (a), (b) and (c).

(a) Portfolio investments

Fixed-income securities and equities are recorded at cost. Cost includes the amount of applicable amortization of discount or premium using the straight-line method over the life of the investments.

Investments are recorded as of the trade date.

The cost of disposals is determined on the average cost basis.

Where there has been a loss in value of an investment that is other than a temporary decline, the investment is written down to recognize the loss. The written down value is deemed to be the new cost.

(b) Investment income

Investment income is recorded on the accrual basis where there is reasonable assurance as to its measurement and collectability.

Gains and losses arising as a result of disposal of investments are included in the determination of investment income.

Income and expense from derivative contracts are included in investment income. Certain derivative contracts, which are primarily interest rate swaps and cross-currency interest rate swaps, are designated as hedges by the Alberta Minister of Finance of market risks for the purposes of hedge accounting. Hedge accounting recognizes gains and losses from derivatives in the statement of income in the same period as the gains and losses of the security being hedged.

(c) Valuation of financial assets and liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair value of cash deposits, receivables, accrued liabilities and payables are estimated to approximate their book values.

Fair values of investments managed and held by the Alberta Investment Manager in pooled investment funds are determined as follows:

(i) Public fixed-income securities and equities are valued at the year-end closing sale price, or the average of the latest bid and ask prices quoted by an independent securities valuation company.

(ii) Private fixed-income securities are valued based on the net present value of future cash flows. These cash flows are discounted using appropriate interest rate premiums over similar Government of Canada benchmark bonds trading in the market.

Derivative contracts include equity and bond index swaps, interest rate swaps, cross-currency interest rate swaps, credit default swaps, forward foreign exchange contracts and equity index futures contracts. The value of derivative contracts is included in the fair value of the ASC's investment in the Canadian Dollar Public Bond Pool and Domestic Passive Equity Pooled Fund (see Note 4). The fair value of derivative contracts is determined at the reporting date.

(d) Capital assets

Capital assets are recorded at cost.

Assets are amortized on a straight-line basis over their estimated useful lives as follows:

Computer equipment and software	3 years
Furniture and equipment	10 years
Leasehold improvements	remaining lease term to March 2011

(e) Fees, administrative penalty and settlement cost recovery recognition

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

Administrative penalty and settlement cost recoveries are recognized when the decision is issued or agreement reached.

(f) Employee future benefits

The ASC participates in the Public Service Pension Plan (PSPP), a multi-employer defined benefit pension plan, with other government entities. This plan is accounted for as a defined contribution plan as the ASC has insufficient information to apply defined benefit plan accounting to this pension plan. Pension costs included in these financial statements comprise the cost of employer contributions for current service of employees during the year and additional employer contributions for the service relating to prior years.

The ASC maintains a Supplemental Pension Plan (the Plan) for certain designated executives of the ASC. The cost of the pension is actuarially determined using the projected benefit method pro-rated on services and management's best estimate of economic assumptions. Past service costs and actuarial losses arising from assumption changes are amortized on a straight-line basis over the average remaining service period of employees active at the date of commencement of the plan. The average remaining service period of active employees of the Plan is six years.

The ASC also maintains a plan whereby it makes Registered Retirement Savings Plan contributions on behalf of certain employees of the ASC. The contributions are calculated based on a fixed percentage of the employee's salary to a maximum of the Registered Retirement Savings Plan contribution limit as specified in the Income Tax Act. The expense included in these financial statements represents the current contributions made on behalf of the employees.

(g) Lease inducement

Cash payments received as lease inducements are deferred and amortized on a straight-line basis over the lease term.

(h) Measurement uncertainty

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

(i) Restricted cash

The Act restricts the use of revenues received by the ASC from administrative penalties to certain operating expenditures that educate investors and enhance the knowledge of the securities market operation.

Note 3 Restricted Cash and Retained Earnings

Retained earnings include accumulated net penalty revenue of \$576 (\$895 in 2006). This amount is represented by restricted cash, as described in Note 2(i).

Changes in restricted cash include:

	2007	2006
Restricted cash (decrease) increase		
Administrative penalties	\$ 564	\$ 620
Less: uncollectible amounts	(480)	(195)
Net realizable value	84	425
Interest income and other	37	24
	121	449
Plus: Education seminar fees	26	85
Less: Eligible education expenses	(466)	(468)
Restricted cash (decrease) increase	\$ (319)	\$ 66

Note 4 Cash and Investments

(a) Summary

	2007			2006		
	Cost	Fair Value	%	Cost	Fair Value	%
Cash						
Deposit in the CCITF	\$ 4,034	\$ 4,034		\$ 2,542	\$ 2,542	
Investments						
Deposit in the CCITF	\$ 65	\$ 65	0.2	\$ 60	\$ 60	0.3
Fixed-income securities	24,340	24,092	74.5	17,697	17,441	74.0
Canadian equities	7,741	8,168	25.3	5,559	6,060	25.7
	\$ 32,146	\$ 32,325	100.0	\$ 23,316	\$ 23,561	100.0

Cash consists of demand deposits in the Consolidated Cash Investment Trust Fund (CCITF). The CCITF is administered by the Ministry of Finance with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio comprises high-quality short-term and mid-term fixed-income securities with a maximum term-to-maturity of three years. As at March 31, 2007, securities held by the CCITF have an average effective market yield of 4.36% per annum (2006: 3.96% per annum).

The ASC's investments are held in pooled investment funds established and administered by the Ministry of Finance. Pooled investment funds have a market based unit value that is used to allocate income to participants and to value purchases and sales of pool units.

Included in the ASC's pooled investment funds are derivative financial contracts with a notional amount of \$92,045 and a negative fair value of \$33 (Notional amount \$14,004 and fair value \$174 in 2006).

Fixed income securities held at March 31, 2007 have an average effective market yield of 4.5% per annum (4.7% per annum in 2006), with maturities ranging from less than one year to over 20 years. The fixed income pool includes a mix of high-quality government and corporate (public and private) fixed income securities and is actively managed to minimize credit and market risk through the use of derivatives, portfolio duration and sector rotation.

Equity investments include publicly traded Canadian large cap and market index participant equities. The equity pools participate in derivative transactions to simulate index composition and minimize investment risk.

(b) Investment risk management

Income and financial returns of the ASC are exposed to credit, market and interest rate risk.

In order to earn an optimal financial return at an acceptable level of risk, management of the ASC has established an investment policy, which is reviewed annually. Risk is reduced through asset class allocation targets of 75% bonds and 25% equities with a small value of residual cash, diversification within each asset class, and quality and duration constraints on fixed-income instruments.

Note 5 Net Investment Income

	2007	2006
Net realized gain on investments including derivative income	\$ 744	\$ 1,448
Interest	1,390	983
Dividends	108	60
Other	(4)	(5)
	\$ 2,238	\$ 2,486

The ASC's investments earned 7.4% for the year ended March 31, 2007 (11.3 % in 2006), based on market values.

Note 6 Capital Assets

	2007			2006
	Cost	Accumulated amortization	Net book value	Net book value
Computer equipment and software	\$ 2,701	\$ 1,746	\$ 955	\$ 487
Furniture and equipment	839	365	474	241
Leasehold improvements	3,424	1,578	1,846	1,185
	\$ 6,964	\$ 3,689	\$ 3,275	\$ 1,913

Note 7 Lease Inducements

Lease Term	Current inducement	Future inducement
8 years, ending March 2011	\$ 124	\$ 370

Note 8 Accrued Benefit Liability and Pension Expense

The accrued benefit liability includes:

	2007	2006
Retirement Plan	\$ 204	\$ 198
Supplemental Pension Plan	2,327	1,923
Less: current portion	(67)	(51)
	\$ 2,464	\$ 2,070

The following pension expense for the plans is recorded in the Statement of Income and Retained Earnings under salaries and benefits.

	2007	2006
Public Service Pension Plan	\$ 379	\$ 325
Registered Retirement Savings Plan	330	274
Retirement Plan	29	29
Supplemental Pension Plan	436	426
	\$ 1,174	\$ 1,054

(a) Public Service Pension Plan

The ASC participates in the Public Service Pension Plan (PSPP). At December 31, 2006, the PSPP reported a surplus of \$153,024 and in 2005 a deficiency of \$187,704.

(b) Registered Retirement Savings Plan

The ASC makes contributions on behalf of employees who do not participate in the PSPP to employee Registered Retirement Savings Plans.

(c) Retirement Plan

The retirement plan is not pre-funded and the benefits are paid to August 2017 as they come due (\$22 in 2007, \$21 in 2006) from the assets of the ASC.

(d) Supplemental Pension Plan

The ASC has a Supplemental Pension Plan (Plan) for certain designated executives of the ASC. The provisions of the Plan were established pursuant to a written agreement with each designated executive.

The Plan provides pension benefits to the designated executives based on pensionable earnings that are defined by reference to base salary in excess of the limit (\$111 effective January 1, 2007, and \$105 effective January 1, 2006) imposed by the Income Tax Act on registered pension arrangements.

Pension benefits from the Plan are payable on or after attainment of age 55 and are equal to 1.75% of highest average pensionable earnings (average over five years) for each year of service with the Commission. Members of the Plan become vested in the benefits of the plan after two years of service. Accrued benefits are also payable on early retirement (with reductions), death or termination of employment of the designated executive.

The Plan is not pre-funded and the benefits will be paid as they come due from the assets of the ASC.

Actuarial valuations of the Plan are undertaken every three years. At April 1, 2006, an independent actuary performed a Plan valuation. The next valuation is scheduled for April 1, 2009. The results of the actuarial valuation and management's cost estimates as they apply to the Plan are summarized on the following page.

Balance sheet at March 31

	2007	2006
Accrued benefit and unfunded obligation	\$ 2,511	\$ 2,152
Unamortized transitional obligation	(120)	(151)
Unamortized actuarial loss	(64)	(78)
Accrued benefit liability	\$ 2,327	\$ 1,923

Accrued benefit obligation

Accrued benefit obligation at beginning of the year	\$ 2,152	\$ 1,895
Service cost	268	192
Interest cost	126	120
Assumption changes		85
Net actuarial gain plus benefits paid of \$33 (\$26 in 2006)	(35)	(140)
Accrued benefit obligation at end of the year	\$ 2,511	\$ 2,152

Pension expense

The pension expense for the Plan is as follows:

	2007	2006
Service cost	\$ 268	\$ 192
Interest cost	126	120
Amortization of transitional obligation	26	26
Recognized actuarial losses during year	16	88
Pension Expense	\$ 436	\$ 426

Actuarial assumptions for actuarial valuation of the Plan

The assumptions used in the 2006 actuarial valuation of the Plan and three year projections are summarized below. The discount rate was established in accordance with the yield on long-term corporate bonds and applies to both the accrued benefit obligation and benefit costs. Other economic assumptions were established as management's best estimate in collaboration with the actuary. Demographic assumptions were selected by the actuary based on best estimate of the future experience of the plans.

	2007	2006
Discount rate, year end obligation	5.4%	5.4%
Discount rate, net benefit cost prior year	5.8%	5.8%
Rate of inflation	2.50%	2.50%
Salary increases	4.00%	4.00%
Remaining service life (EARSL)	6 years	6 years

Note 9 Funds Held for Others

The ASC holds, in a separate bank account, \$135 (\$4 in 2006) in cash for participants in the Market Integrity Computer Analysis (MICA) system upgrade project. The ASC has recorded a total project expense of \$2 (\$14 in 2006). Funds are disbursed as payments are made for approved expenditures. Expenditures, if any, in excess of the amounts held for others and the ASC's contribution, require further participant approval and contribution. The next phase of the MICA project is planned for 2008 and will require further funding, estimated at \$30 per participant.

Note 10 Fees and Settlement Cost Recoveries

	2007	2006
Distribution of securities	\$ 11,345	\$ 9,372
Registrations	7,522	6,497
Annual financial statements	4,025	3,125
Orders (Applications)	331	291
Total fees	\$ 23,223	\$ 19,285
Settlement payments and cost recoveries	\$ 7,981	\$ 82
Less: uncollectible amounts net of recoveries	(191)	(32)
Net realizable value	\$ 7,790	\$ 50

Note 11 Commitments and Contingencies

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

(a) Commitments

Premises lease and equipment rental

Commitments arising from contractual obligations associated primarily with the lease of premises to March 31, 2011 and rental of office equipment to March 31, 2010, amounted to \$8,296 (\$8,278 in 2006). These commitments become expenses of the ASC when the terms of the contracts are met.

2007-08	\$ 2,055
2008-09	2,046
2009-10	2,078
2010-11	2,117
Thereafter	–
Total	\$ 8,296

Canadian Securities Administrators (CSA) – The ASC shares, based on an agreed upon cost sharing formula, the costs incurred for the maintenance of the CSA Secretariat and any third-party costs incurred in the development of harmonized rules, regulations and policies. The CSA Secretariat was established to assist in the development and harmonization of rules, regulations and policies across Canada.

National systems operations agreements – CDS operates SEDAR, NRD and SEDI systems on behalf of the CSA under various operating agreements. The ASC, as one of the agreement signatories, commits to pay CDS up to 11.7% of any shortfall from approved system operating costs that exceed revenues. Alternatively, CDS must pay to CSA revenues in excess of system operating costs (“surplus”). The surplus is not divisible; the CSA owns it as a group. CDS payments received from system operating surpluses and interest earned totals \$16,175 at March 31, 2007 (\$8,865 in 2006). This amount is held in trust by the Ontario Securities Commission. The principal CSA administrators, including the ASC, have agreed that surplus amounts can only be used to offset any shortfall in revenues, develop or enhance the systems and reduce fees charged to users.

(b) Legal actions

The ASC is involved in one legal proceeding arising from its operations. Management considers the likelihood of liability under this proceeding not to be determinable and, accordingly, an estimate of any contingent loss cannot be made.

Note 12 Budget

The ASC's budget was approved on January 18, 2006 and includes a contingency expense provision of \$2,289 less a vacancy reserve of \$155. A budget contingency provision of up to 10% of budget expenditures for unplanned expenses and revenue shortfalls is provided for in the Memorandum of Understanding between the Minister and the ASC. The ASC approves expenditures that are applied to the budget contingency.

Note 13 Special investigations

Special investigation costs resulted from an investigation undertaken by the Independent Commission Members at the direction of the Minister of Finance and subsequent related projects. These non-recurring projects and related costs were completed in 2006.

Note 14 Related Party Transactions

The ASC is related through common ownership to all provincial government ministries, agencies, boards, commissions and crown corporations. The ASC conducted all transactions with these entities as though they were unrelated parties and recorded transaction costs of \$65 (\$71 in 2006) in administration expense.

Note 15 Comparatives

Certain comparative figures have been reclassified to conform to their 2007 presentation.

Schedule of Salaries and Benefits

For the year ended March 31, 2007

(\$ Thousands)

	Base Salary ¹	Cash Benefits ²	Non-cash Benefits ³	2007 Total	2006 Total
Chair, Securities Commission ⁴	\$ 443	\$ 75	\$ 110	\$ 628	\$ 601
Vice-Chair, Securities Commission ⁴	230	57	81	368	321
Vice-Chair, Securities Commission ⁴	230	35	57	322	299
Members (Independent) ⁴	782	–	–	782	467
Executives					
Executive Director	270	72	86	428	371
Director, Market Regulation ⁵	161	25	29	215	237
Director, Corporate Finance ⁶	210	35	45	290	134
Director, Enforcement	195	28	49	272	252
Director, Corporate Resources ⁷	155	28	28	211	226
Chief Accountant	195	49	25	269	240
General Counsel	195	30	41	266	251
Controller ⁸	140	36	30	206	106
Director, Communications and Investor Education ⁹	95	17	16	128	–

(1) Base salary includes regular base pay and Member compensation.

(2) Cash benefits include bonuses, payments in lieu of vacation and Chair and Executive Director's automobile allowances.

(3) Employer's share of all employee benefits including, current and prior service cost for the unfunded supplemental pension plan for designated executives as described in Note 8 (d) of the financial statements and summarized in the accompanying narrative and tables, pensions, registered retirement savings plan contributions, health and dental plans, group life insurance, employee and family assistance plan, disability plans, professional memberships and tuition.

(4) The Chair (three incumbents in 2006, one in 2007) and Vice-Chairs are full-time Commission Members. Members compensation includes fees paid for governance responsibilities of \$406,000 (\$358,000 in 2006) and hearing and application panel participation of \$375,748 (108,735 in 2006). Member compensation included \$140,000 in 2006 of special investigation costs.

(5) The Director, Market Regulation was appointed in January 2006 and replaced the Director, Legal/Policy following reorganization. Prior year amounts include a payment in lieu of vacation and Acting Director salary.

(6) The Director, Corporate Finance was appointed in March 2006 and replaced the Director, Capital Markets following reorganization. Prior year amounts include a payment in lieu of vacation and three months of base salary.

(7) The Director, Corporate Resources replaced the Director, Administrative Services in September 2005. Prior year amounts include a payment in lieu of vacation and Acting Director salary.

(8) The Controller was appointed to the Senior Management group effective September 1, 2005.

(9) The Director, Communications and Investor Education was appointed in June 2006 and, at that time, the position was added to the Senior Management group.

Supplemental Retirement Benefits

Under the terms of the Supplemental Pension Plan (the Plan) as described in Note 8 (d) of the ASC financial statements, executive officers may receive supplemental retirement payments. Plan costs as detailed below, are not cash payments in the period, but are the period expense for rights to future compensation. Costs shown reflect the total estimated cost to provide annual pension income over an actuarially determined post employment period. The Plan provides future pension benefits to participants based on years of service and earnings as described in Note 8 (d). The cost of these benefits is actuarially determined using the projected benefit method pro-rated on services, a market interest rate, and management's best estimate of expected inflation and salary costs and the remaining service period for benefit coverage. Net actuarial gains and losses of the benefit obligations are amortized over the average remaining service life of the employee group. Current service cost is the actuarial present value of the benefits earned in the fiscal year. Prior service and other costs include amortization of past service costs on plan initiation, amortization of actuarial gains and losses, and interest accruing on the actuarial liability.

For the year ended March 31, 2007
(\$ thousands)

	Current Service Cost	2007 Prior Service and Other Costs	Total	2006 Total
Chair, Securities Commission	\$ 82	\$ 8	\$ 90	\$ 55
Vice-Chair, Securities Commission	30	29	59	58
Vice-Chair, Securities Commission	28	11	39	34
<hr/>				
Executives				
Executive Director	35	29	64	66
Director, Market Regulation	10	1	11	2
Director, Corporate Finance	22	1	23	2
Director, Enforcement	22	6	28	26
Director, Corporate Resources	9	1	10	6
Chief Accountant ¹				
General Counsel	19	2	21	9
Controller	10	1	11	6
Director, Communications and Investor Education ²				

(1) Chief Accountant is not a Plan participant.

(2) The Director became a Plan participant in June 2006, subsequent to the actuarial valuation. Management estimates no expense in Fiscal 2007 as the base salary is less than the Plan threshold defined in Note 8 (d).

The accrued obligation for each executive under the Plan is outlined in the following table:

	Accrued obligation April 1, 2006	Changes in accrued obligation	Accrued obligation March 31, 2007
Chair, Securities Commission	\$ 55	\$ 90	\$ 145
Vice-Chair, Securities Commission	304	59	363
Vice-Chair, Securities Commission	85	39	124
<hr/>			
Executives			
Executive Director	334	64	398
Director, Market Regulation	1	11	12
Director, Corporate Finance	2	23	25
Director, Enforcement	55	28	83
Director, Corporate Resources	6	10	16
Chief Accountant ¹			
General Counsel	11	21	32
Controller	6	11	17
Director, Communications and Investor Education ²			

(1) Chief Accountant is not a Plan participant.

(2) The Director became a Plan participant in June 2006, subsequent to the actuarial valuation. Management estimates no expense in Fiscal 2007 as the base salary is less than the Plan threshold defined in Note 8 (d).

A|S|C

Alberta Securities Commission

Alberta Securities Commission

300 – 5th Avenue

Calgary AB T2P 3C4

www.albertasecurities.com