
**ASC REPORTS FISCAL 2011 FIRST QUARTER RESULTS
 MANAGEMENT'S DISCUSSION AND ANALYSIS**

Management's discussion and analysis (MD&A), prepared as of July 15, 2010 for the three months ended June 30, 2010, should be read in conjunction with annual MD&A and financial statements reported in the Commission's Annual Report, as well as the appended June 30, 2010 interim financial statements.

During the first quarter ended June 30, 2010 the Alberta Securities Commission (ASC) lost \$1.6 million compared to a loss of \$378,000 for the first quarter of the prior year. Revenues in the current quarter were \$533,000 less than the first quarter of last year. This was a result of investment income that was \$1.2 million greater in the first quarter of the prior year when a robust recovery in investment values was experienced and was partially offset by distribution fees that increased \$387,000 in the current quarter as a result of increased financings and mutual fund sales. Expenses increased \$831,000 in the current period, the result of annual compensation increases, additional staff, increased costs for additional hearing days and investor education programs.

Comparison to Budget - The first quarter loss of \$1.6 million was less than the budgeted loss of \$2.8 million. Enforcement receipts exceeded budget by \$250,000, primarily for settlements. However distribution fees were \$202,000 under budget, as financings and mutual fund sales were less than budget. Investment income was less than budget by \$69,000 because of a quarterly loss in the equity markets. Expenses were \$1.1 million less than budget due to professional staff vacancies, the variable timing of projects and related professional services costs, reduced office operations and travel costs and an unused budget contingency.

The fiscal year-end loss is forecast to be approximately \$6.8 million. This would be \$1.8 million less than the budgeted loss. Reductions in the budgeted loss are expected as the result of unused budget contingency of \$1.8 million and cost reductions of \$500,000 arising because of staff vacancies, offset by possible distribution fee shortfalls of \$500,000.

Cash flow and Liquidity - The Commission's cash flow during the first three months of the year is negative because 50% of annual fee revenues are received in the 4th quarter and in fiscal 2011 significant leasehold and furniture costs are scheduled for the first nine months of the year.

Capital assets - Year to date capital additions of \$1.6 million include leasehold office construction costs of \$1.4 million for the new location and information technology software development costs of \$190,000.

Copies of the unaudited interim financial statements for the period ended June 30, 2010 follow.

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The Alberta Securities Commission (ASC) 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 Canadian Securities Administrators, the ASC works to improve, coordinate and harmonize the regulation of Canada's capital markets.

ALBERTA SECURITIES COMMISSION
BALANCE SHEETS
(\$ Thousands)

	<u>June 30</u> 2010	<u>March 31</u> 2010
Assets	(unaudited)	
Current		
Cash	\$7,715	\$11,343
Accounts receivable	70	148
Prepaid expense	229	330
	<u>8,014</u>	<u>11,821</u>
Non-current		
Restricted cash	280	280
Investments (Note 2)	31,043	30,749
Capital assets	3,237	2,028
Lease deposit and other	17	17
	<u>34,577</u>	<u>33,074</u>
Total assets	<u><u>\$42,591</u></u>	<u><u>\$44,895</u></u>
Liabilities and retained earnings		
Current		
Accounts payable and accrued liabilities	\$2,072	\$2,824
Accrued vacation and benefit liabilities	393	393
Lease inducement	93	124
	<u>2,558</u>	<u>3,341</u>
Non-current		
Accrued benefit liability	<u>3,915</u>	<u>3,782</u>
Total liabilities	6,473	7,123
Retained earnings	<u>36,118</u>	<u>37,772</u>
Total liabilities and retained earnings	<u><u>\$42,591</u></u>	<u><u>\$44,895</u></u>

The accompanying notes are part of these financial statements.

ALBERTA SECURITIES COMMISSION
STATEMENTS OF INCOME AND RETAINED EARNINGS
(Unaudited)
(\$ Thousands)

	For the Three Months ended June 30		
	2010	2010	2009
	Budget (Note 4)	Actual	Actual
Revenue			
Fees	\$5,306	\$5,172	\$4,639
Investment income	382	313	1,533
Settlement payments and cost recoveries	125	375	157
Conference fees and other	--	13	1
Administrative penalties revenue	25	21	9
Total revenue	<u>5,838</u>	<u>5,894</u>	<u>6,339</u>
Expense			
Salaries and benefits	5,668	5,228	4,741
Administration	858	716	605
Professional services	664	555	482
Premises	587	551	556
Amortization	364	387	323
Investor education	60	111	10
Total expense	<u>8,201</u>	<u>7,548</u>	<u>6,717</u>
Budget contingency	451		
Net loss	<u>(\$2,814)</u>	(1,654)	(378)
Opening retained earnings		<u>37,772</u>	<u>33,431</u>
Closing retained earnings		<u>\$36,118</u>	<u>\$33,053</u>

The accompanying notes are part of these financial statements.

ALBERTA SECURITIES COMMISSION
STATEMENTS OF CASH FLOWS
(Unaudited)
(Thousands)

For the three months ended
June 30

	<u>2010</u>	<u>2009</u>
Operating transactions		
Fees and other	\$5,161	\$4,637
Settlement payments and cost recoveries	375	157
Payments to and on behalf of employees	(6,156)	(5,515)
Payments to suppliers for goods and services	(1,937)	(1,830)
Investment income	313	1,533
Administrative penalties	28	11
Cash (used in) operating transactions	<u>(2,216)</u>	<u>(1,007)</u>
Capital transactions		
Cash used to acquire capital assets	<u>(1,118)</u>	<u>(292)</u>
Cash (used in) capital transactions	<u>(1,118)</u>	<u>(292)</u>
Investing transactions		
Increase in restricted cash	(1)	(1)
Increase in portfolio assets	(293)	(1,509)
Transfer from portfolio investments	<u> </u>	<u>1,940</u>
Cash received from (used in) investing transactions	<u>(294)</u>	<u>430</u>
Decrease in cash	(3,628)	(869)
Opening cash	11,343	8,188
Closing cash	<u><u>\$7,715</u></u>	<u><u>\$7,319</u></u>

The accompanying notes are part of these financial statements.

ALBERTA SECURITIES COMMISSION
Notes to Interim Financial Statements
Three months ended June 30, 2010 (unaudited)
(\$ Thousands)

Note 1. Significant Accounting Policies

These interim financial statements have been prepared in accordance with generally accepted accounting principles for the public sector, consistent with the presentation and disclosure in the most recent annual audited financial statements dated March 31, 2010. These interim financial statements do not contain all the disclosures required by generally accepted accounting principles for annual financial statements and should, accordingly, be read together with the most recent annual audited financial statements.

Note 2. Investments

The Alberta Securities Commission (ASC) investments are independently managed by The Alberta Investment Management Corporation (AIMCo). AIMCo is a provincial corporation responsible to the Minister of Finance and Enterprise. The ASC does not participate in capital market investment decisions or transactions.

The following summarizes the ASC's investments (\$ 000's):

	June 30, 2010			March 31, 2010		
	Cost	Fair Value	Fair Value %	Cost	Fair Value	Fair Value %
Cash deposit in the Consolidated Cash Investment Trust Fund (CCITF)	\$ 75	\$ 75	0.2	\$ 74	\$ 74	0.2
Bond Pool	22,904	22,978	73.7	22,564	22,267	72.1
Equity Pools	8,064	8,125	26.1	8,111	8,539	27.7
	\$31,043	\$31,178	100 %	\$30,749	\$30,880	100 %

Note 3. Funds held for others, Market Integrity Computer Analysis (MICA) and Canadian Securities Administrators (CSA)

The Ontario Securities Commission was holding at June 30, 2010 approximately \$48.8 million in trust for the principal CSA administrators who administer CSA operated national systems. These funds represent fees paid by users of CSA national systems that exceed costs of system operation. The principal CSA administrators, including the ASC, have agreed that these surplus amounts can only be used to offset any shortfall in revenues, to develop or enhance the systems and to reduce fees charged to users. The CSA is beginning redevelopment of these systems and has committed approximately \$1 million to commence this process, with expenditure to date of \$525,600.

Note 4 Budget for the year ended March 31, 2011
Approved by the Commission January 13, 2010
(\$ Thousands)

Revenue

Fees and other	\$25,899
Investment income	1,355
Administrative penalty and settlement receipts	600
Total revenue	27,854

Expense

Salaries and benefits	22,695
Administration	3,472
Professional services	3,247
Premises	3,120
Amortization	1,549
Investor education	612
Total expense	34,695
Budget contingency	1,805
Loss	(\$8,646)

Quarterly budget allocations are determined as follows:

Revenues are prorated based on historical monthly cash receipt experience and anticipated changes in these patterns.

Expenses are amortized on a straight-line basis over 12 months except for certain expenses aggregating \$5.4 million that have time specific forecasts.

The timing variability of contract expenditures results in non-salary expenditure variances.

Budgets for administrative penalty and settlement receipts are based on historical annual averages and allocated on a monthly straight-line basis. These receipts are the result of settlement negotiations, hearing outcomes and cost recovery assessments. Actual receipt quantum and timing is not predictable. The fiscal 2011 budget includes a contingency of \$1.8 million for revenue deficiencies and unplanned expenditures. The Commission has not used any of this contingency to date.