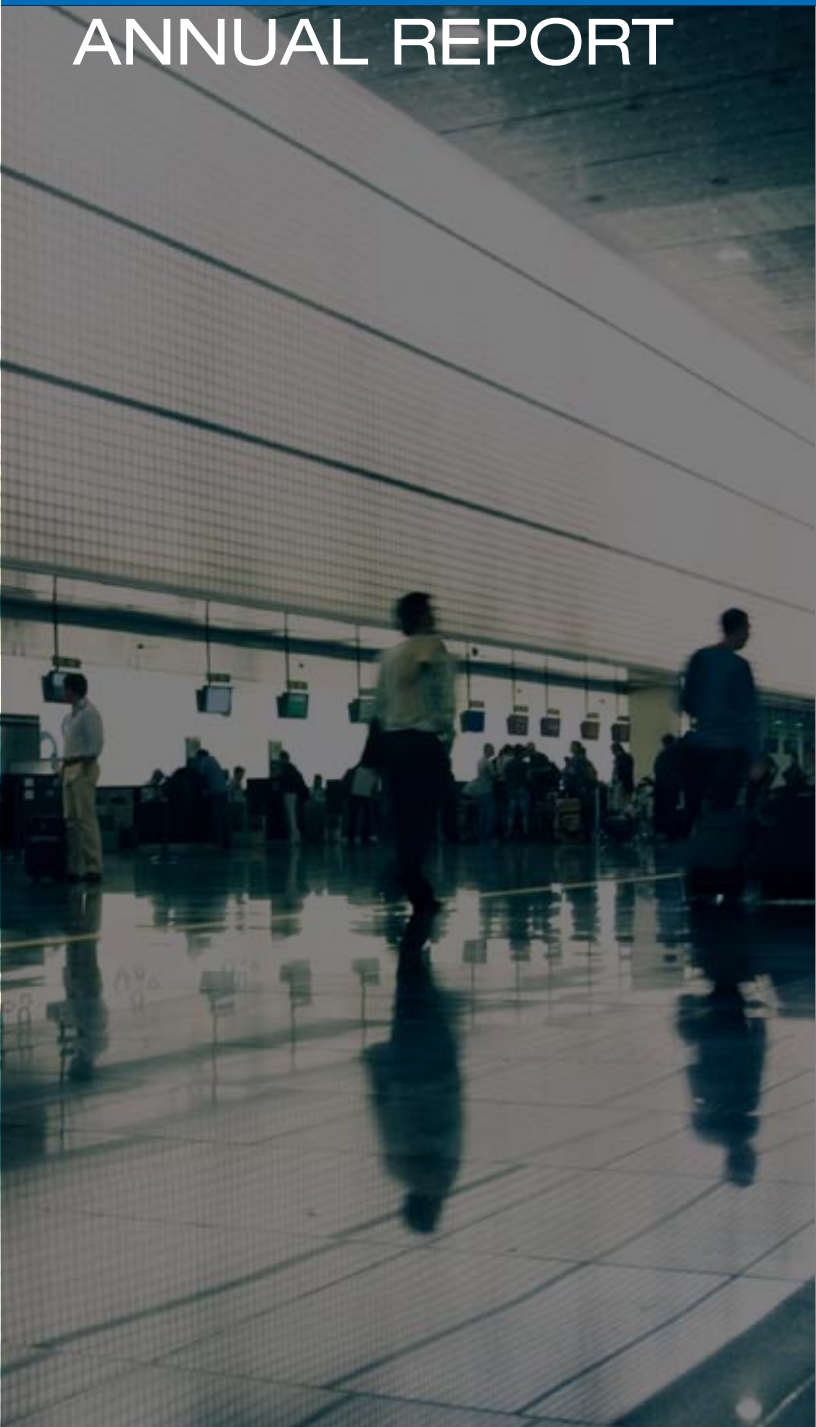




2010 ANNUAL REPORT





MESSAGE FROM THE CHAIR

July 1, 2010

Honourable Sophia Aggelonitis
Minister of Consumer Services
6th Floor, Mowat Block
900 Bay Street
Toronto ON M7A 1L2



Dear Minister Aggelonitis

I am pleased to submit the thirteenth Annual Report for the Travel Industry Council of Ontario (TICO), which covers the period April 1, 2009 to March 31, 2010. This report also incorporates the activities of the Ontario Travel Industry Compensation Fund, for which TICO assumed responsibility in June 1998. This report focuses on the outcomes and achievements made in relation to the objectives that were set in TICO's 2009 Business Plan. Overall, during the past year, TICO's performance has met its mandate. Full details with respect to TICO's activities and accomplishments are set out in the body of the report.

Over the last year, TICO had two large closures, which resulted in significant claims on the Compensation Fund. The closure of Conquest Vacations resulted in significant media coverage and raised questions about whether Ontario's consumer protection regime went far enough to protect consumers. In April 2009, the government undertook an Assessment of Consumer Protection against Financial Instability in the Travel Industry. Overall, the assessment found that Ontario's regulation of the travel industry is equal to, or better than, other Canadian jurisdictions. The regulatory system was found to be working well but there were opportunities identified to strengthen consumer protection and address industry changes. TICO has been working with the Ministry to implement recommendations from the report. More information regarding the recommendations resulting from the Assessment can be found in the Executive Summary.

The travel industry has changed significantly over the past few years. Credit card processors have placed higher security demands on providers of travel services, which is an added financial pressure on the industry. There has been more consolidation of the larger travel wholesalers. This consolidation has increased the financial risk in the event one of these operators was to fail. The TICO Board is looking at the Compensation Fund model and how it can be enhanced to ensure that consumers are adequately protected in light of these changes.

TICO is mindful of the changes in the travel industry and is being vigilant to monitor risk and adjust its programs as necessary to ensure that consumers are being adequately protected in today's marketplace. The TICO Board looks forward to continuing to work with the Ministry to promote a fair and informed marketplace where consumers can be confident in their travel purchases.

Yours truly,
Travel Industry Council of Ontario

A handwritten signature in dark ink, appearing to read 'Jill Wykes', written in a cursive style.

Jill Wykes
Chair of the Board of Directors

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MISSION

To promote a fair and informed marketplace where consumers can be confident in their travel purchases.

VISION

Enhance confidence in the travel industry by becoming:

- A leader in developing an improved system of consumer protection.
- A model for a progressive, fair and firm administrator of industry regulations.
- A developer, promoter and advocate of good business ethics and harmonized standards in the travel industry.

VALUES

TICO will be:

- Fair, but firm in our conduct with registrants and consumers.
- Responsive and open in communicating with consumers and registrants, while respecting the business confidentiality of our registrants.
- Visionary in our approach to improving the Industry and Industry practices, while remaining accountable to all stakeholders for the cost-effectiveness and practicality of solutions and initiatives.

Above all, TICO will be ethical in everything TICO does.

CHIEF EXECUTIVE OFFICER'S REPORT



EXECUTIVE SUMMARY

On June 25, 2010, TICO celebrated its thirteenth year since receiving delegation from the Ontario Government to administer the Ontario *Travel Industry Act*. Over the past year, TICO focused on the following priorities: (1) the Financial Inspection Programme, (2) TICO's Consumer Awareness Campaign, and (3) the introduction of TICO's Education Standards, which became effective on July 1, 2009.

Since our last annual report, there have been significant factors in the financial sector that have affected the travel industry. Consolidation of the larger travel wholesalers, who provide packaged, all inclusive travel products through the retail trade, has increased. Credit card processors are demanding higher security amounts from registrants, which in turn has created a tremendous financial burden on the travel industry. Combined with tough competition and over-capacity in the marketplace, there are many challenges facing registrants today.

During the past year, TICO experienced the closure of two smaller wholesalers, one of which, Conquest Vacations, had been in business for over 30 years and was considered to be the last of the smaller entrepreneurial wholesalers. This closure resulted in an independent review by the government to identify whether the Travel Industry Council of Ontario had sufficient tools to effectively regulate the travel industry. The report resulted in recommendations in the following four areas:

- TICO should provide more information for consumers on its website.
- All registrants should be required to provide notice to TICO of their intention to cease operations.
- The provisions with respect to trip completion compensation should be enhanced.
- As the travel industry is becoming increasingly concentrated in the hands of a few large players, which are national or multinational in scope, consideration of a national protection scheme and national solutions to issues should be explored.

TICO has been working with the government to implement the recommendations from the report.

In the current economic climate, TICO's Financial Inspections Programme is extremely important to ensure that financial risk is monitored and TICO is proactive to ensure that consumers are protected. TICO recognizes that the current Compensation Fund

model may not be adequate to handle a very large failure in light of industry consolidation. TICO is looking at the Compensation Fund model and how it can be enhanced to improve consumer protection.

TICO has continued to make its Consumer Awareness Campaign a top priority. Our goal over the last year has been to get more consumers to visit the TICO website, where we have a better opportunity to explain who we are and what we do. The consumer protection message can be complicated so we have added videos to help educate and inform consumers. Our efforts appear to be working. According to TICO's 2010 Omnibus Survey, 69% of those who are aware of TICO understand that they have to book their travel with an Ontario travel agent registered with TICO in order to have their travel services protected in accordance with the Act and Regulation. Over the next year, we want to get registrants more involved in the campaign. With your help, we can reach even more consumers with our message.

TICO's Minimum Education Standards came into force on July 1, 2009. To date, TICO has had over 22,000 individuals take the Education Standards exams. The goal of the program is to ensure that those selling travel services understand the rules governing their conduct. This, in turn, allows consumers to feel confident when purchasing their travel services through registered travel agencies in Ontario.

Travel is a global industry and with increased consolidation, there are new risks and challenges for the regulator. The future is now and we need to move quickly to make the necessary changes to keep up with the evolution of the industry to ensure that we remain a leader in consumer protection. To move forward with confidence, TICO will take a lead role in partnering with other regulators and will make appropriate recommendations to government to ensure that the consumer protection model in Ontario is one that we can all be proud of.

Yours truly,
Travel Industry Council of Ontario



Michael Pepper
President & C.E.O.



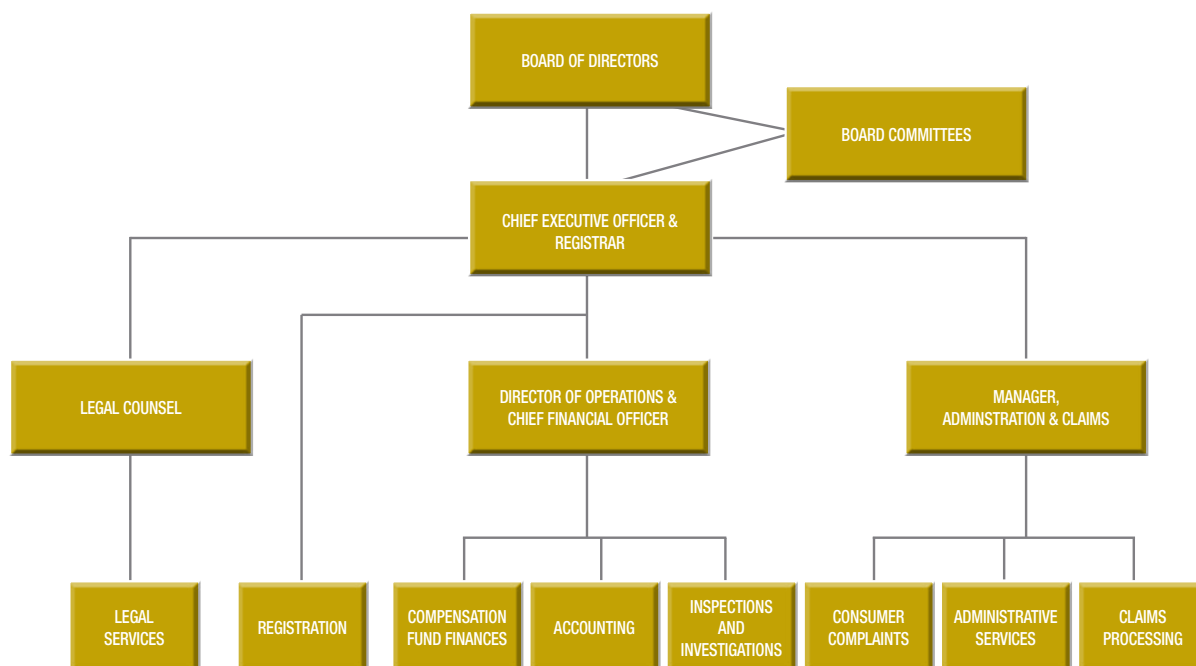
TICO STRUCTURE

Organization

The Travel Industry Council of Ontario (TICO) is a not-for-profit corporation financed through fees from its approximately 2,500 Ontario travel retail and wholesale registrants. The former Ministry of Consumer and Commercial Relations delegated responsibility for the administration of the now repealed Ontario Travel Industry Act and regulations to TICO in June 1997. The Act governs Ontario travel retailers and wholesalers and provides for the operation of a travel industry Compensation Fund.

Following a regulation change in June 1998, TICO assumed direct responsibility for the Ontario Travel Industry Compensation Fund (the Fund) from the Ontario Travel Industry Compensation Fund Corporation (OTICFC). The OTICFC was subsequently dissolved on August 28, 1998.

The Ministry of Consumer Services continues to be responsible for the *Travel Industry Act, 2002* (the Act) and Ontario Regulation 26/05 (the Regulation).



Governance

At its Annual General Meeting that was held on September 24, 2009, TICO's By-laws were changed to provide for one additional seat on the Board to be appointed by the Minister of Consumer Services and the decrease of one seat elected by the Industry at large. The TICO Board of Directors consists of fifteen members. There are three individuals appointed by the Association of Canadian Travel Agencies (ACTA), three from the Canadian Association of Tour Operators (CATO), one from the Ontario Motor Coach Association (OMCA), one from the Canadian Institute of Travel Counsellors (CITC) and five appointed by the Minister of Consumer Services. There are also two members that are elected by the Industry at large. (See Appendix II)

Remuneration of Board and Committee Members (Per Diems)

TICO's by-laws provide for the remuneration of Directors. At its meeting held on March 23, 2010, the TICO Board of Directors approved an amendment to its Remuneration Policy providing for an increase in per diem rates for board members by the rate of CPI (Consumer Price Index). This is the first per diem adjustment made since 1999. The Board also approved an increase to the per diem for the Statutory Director under the *Travel Industry Act, 2002* and established a per diem for the Deputy Director under the *Travel Industry Act, 2002*. The rates are to be adjusted annually by CPI.

TICO's Remuneration Policy provides for the following per diem levels:

Board Meetings:

Chair	\$427
Vice-Chair	\$335
Member	\$273

The remuneration policy for committee meetings for board members and non-board members is as follows:

Committee Meetings:

Committee Chair	\$273
Committee Member	\$212
Director under the TIA	\$10,000/annum (where Director is not an employee)
Deputy Director	\$5,000/annum (where Deputy Director is not an employee)

The per diem is the amount payable for work periods in excess of three hours. If the work period is less than three hours, one-half of the established per diem is paid. Preparation time may be included in the calculation of hours. In addition, board and committee members may claim for travelling expenses such as mileage or accommodation for which set rates have been approved. The Remuneration Policy also allows board members spending over 2 hours in total for travel time to and from TICO, for the purpose of attending to TICO business, to receive the current per diem rate plus 50% of the per diem rate.

TRAVEL INDUSTRY COMPENSATION FUND

Background on the Ontario Industry Travel Compensation Fund

In 1975, the Government of Ontario passed the *Travel Industry Act*. This legislation provides the legal basis for the Compensation Fund and ensures that every registered travel business in Ontario participates in the Fund. Section 50 of Part III of the current Regulation (O. Reg. 26/05) enacted pursuant to the *Travel Industry Act, 2002* states: "Every registrant shall participate in the Fund."

A registrant is defined as a travel agent or a travel wholesaler who is registered as a travel agent or a travel wholesaler or as both under the *Travel Industry Act, 2002*. A travel agent is defined as a person who sells to consumers, travel services provided by another person. A travel wholesaler is defined as a person who acquires rights to a travel service for the purpose of resale to a travel agent or who carries on the business of dealing with travel agents or travel wholesalers for the sale of travel services provided by another person.



Management of the Compensation Fund

The Regulation relating to the Compensation Fund sets forth in detail the operation and management of the Fund.

Section 52 of Ontario Regulation 26/05 provides that the affairs of the Compensation Fund shall be administered and managed by the TICO Board of Directors.

Section 52(2) of Ontario Regulation 26/05 requires that TICO shall hold all money in the Fund in trust for the benefit of claimants whose claims for compensation the Board of Directors approves in accordance with this Regulation.

Section 73 of Ontario Regulation 26/05 allows the costs of administering the Compensation Fund to be paid from the Fund.

Fund Financing

The Compensation Fund is totally financed by Ontario registrants. The Payment Schedule requires registered travel retailers and registered travel wholesalers to pay a greater of \$25 or 5¢ per \$1,000 of sales, on a semi-annual self assessment basis. These payments are to be filed with TICO within 90 days after the end of each fiscal half year.

Surplus Funds

The Corporation may invest any funds of the Compensation Fund, which are surplus to the immediate requirements of TICO in property in accordance with the Trustee Act.

Claims

The Compensation Fund reimburses customers of registered travel agents for eligible claims arising from the bankruptcy or insolvency of an Ontario registrant or arising from the failure of an end supplier airline or cruise line. The Board of Directors determines whether a claim or a part of one meets the requirements of the Regulation and determines the eligible amount of the claim. Claims must be submitted in writing to the Board within six months

after the relevant registrant or end supplier becomes bankrupt or insolvent or ceases to carry on business. The maximum payout for claims arising out of an event is \$5 million in total. The maximum payout per person is \$5,000.

The Director under the *Travel Industry Act, 2002* may direct payment out of the Fund of up to an additional \$2 million where immediate funds and facilities are necessary for the repatriation and accommodation of customers of registrants who are outside of Ontario. When customers of registrants are preparing for immediate departure and have been placed in circumstances where funds are required to alleviate suffering or to protect the interests of the Fund, the Board, with the approval of the Director, may pay out of the Fund an amount sufficient to enable such departure, up to a maximum of \$5,000 per person.

Appeal of Decisions

Claimants are entitled to appeal a decision of the Board of Directors to the Licence Appeal Tribunal. Decisions of the Tribunal may be further appealed to the Divisional Court of Ontario.

FINANCIAL INSPECTIONS

TICO operates a risk management programme, which includes financial inspections of registrants carried out under the direction and control of the Registrar, *Travel Industry Act, 2002*. The objective of the programme is to identify as early as possible any registrants at financial risk and to work with these registrants to ensure compliance with the Act and Regulation. Through early identification of registrants at financial risk, TICO attempts to minimize potential claims against the Compensation Fund and disruption to consumer travel. The programme consists of an annual review of the financial statements of all registrants, a more frequent review of the financial statements of larger registrants and site inspections. The programme is proactive as TICO visits all new registrants to ensure their understanding of the Act and Regulation and compliance requirements.

TICO COMMITTEES

TICO has established eleven committees to oversee various responsibilities and undertake a variety of tasks. These committees have different mandates, which include the following:

Executive Committee

(Chair: Jill Wykes)

- Manage emergency issues on an ad hoc basis.
- Interim support for CEO between board meetings.
- Review of large registrant closures.
- Make recommendations regarding composition of board committees.
- Conduct an annual review of the TICO Employee Code of Ethics.

Audit Committee

(Chair: Jeff Element)

- Review internal controls operating throughout TICO.
- Review the appropriateness of accounting policies and review any proposed changes in accounting practices or policies and the resulting financial statement impact.
- Review the audited annual financial statements and make recommendations with respect to their approval to the Board.
- Confer with TICO's auditors as required to discuss their examination into the financial affairs of TICO and receive all recommendations and explanations which TICO's auditors wish to place before the Committee.
- Make recommendations to the Board with respect to the appointment and remuneration of external auditors to be appointed at each AGM.
- Periodically, review TICO's investment firms and their fees.
- Review the investment policy on an annual basis.
- Review quarterly investment reports and detailed quarterly financial statements.
- Review and provide advice with respect to the budget prior to presentation to the Board.
- Review insurance coverage annually.

Business Strategy Committee

(Chair: Scott Stewart)

- Produce TICO's Business Plan and monitor performance measures.
- Refer issues for legislative and regulatory review.
- Planning of TICO's Consumer Awareness Campaign.
- Review and keep current TICO's policies with respect to privacy issues.

- Develop a plan to assess TICO's operational effectiveness and report findings.
- Explore alternate sources of revenue for TICO.

Complaints Committee

(Chair: James Savary)

- Review and resolve, as appropriate, complaints against TICO.
- Provide fair, transparent and accountable procedures for handling registrant and consumer complaints against TICO.
- Develop standards for handling complaints.
- Make recommendations with respect to TICO's complaint handling procedures.
- Review trends of complaints to determine if recommendations can be made to address the cause of complaints.

Compensation Fund Committee

(Chair: Patricia Jensen)

- Review and recommend to the Board the payment of claims in accordance with Ontario Regulation 26/05.
- Review and monitor the status of appeals to the Licence Appeal Tribunal regarding denied claims.
- Develop and recommend administrative policies to the Board regarding the administration of the Fund.
- Review and recommend recovery procedures to offset the cost of claims.

E-Commerce Committee

(Chair: Thanushka Nanayakkara)

Consumer Protection

- Identify areas where Ontario consumers may not be protected when they purchase travel services online.
- Identify possible options as to how TICO may address these areas to ensure that Ontario consumers are protected.
- Consider privacy issues in respect of e-commerce.

Enforcement

- Identify any challenges posed by regulating the sale of travel services in an electronic commerce environment.
- Identify any potential solutions to such challenges.

Legislative and Regulatory Reform

- Recommend legislative and regulatory changes in relation to e-commerce.

TICO Services

- Review TICO's services to determine any areas in which such services could be improved through the use of the internet, for example, on-line list of registrants.

Education

- Liaise with provincial counterparts and federal authorities on emerging e-commerce issues and the development of a standard.
- Play a role in educating the Board and TICO stakeholders about e-commerce issues.
- Develop informational literature to educate stakeholders on e-business.

Other

- Consider any other relevant matters that are referred to the Committee by the Board.

Education Standards Committee

(Chair: Mike Foster)

- Determine the curriculum for the *Travel Industry Act, 2002* Education Standards for travel counsellors and supervisor/managers and identify the type of information that should be covered in the education standards curriculum at each level.
- Oversee the development of the *Travel Industry Act, 2002* Education Standards Curricula including reviewing, testing and approval.
- Determine how the *Travel Industry Act, 2002* Education Standards should be implemented, the timeline for implementation and the costs.
- Oversee the printing and distributing of the educational courses and the development of on-line versions of the courses.

- Consider equivalency options for Education Standards.
- Develop a communications plan for the delivery of Education Standards.
- Devise a plan to enforce the standards.
- Ensure the *Travel Industry Act, 2002* Education Standards are updated on a regular basis.
- Explore the feasibility of other educational initiatives.

Legislative & Regulatory Review Committee

(Chair: Jill Wykes)

- Recommend legislative and regulatory reform necessary to achieve TICO's business objectives by:
 - Consulting with Ministry of Consumer Services on policy and legal issues.
 - Securing and managing stakeholder input.
 - Working with the Ministry of Consumer Services to move the recommendations forward through the legislative process.
- Develop a Code of Ethics for TICO Discipline Process.
- Develop policies in relation to administrative penalties.
- Make recommendations to the Board with respect to requirements for individuals who conduct business outside the office of a registrant. Recommended requirements should ensure:
 - a level of professionalism even if the business is being conducted outside the registrant's office;
 - industry standards are enhanced;
 - consumer monies are protected;
 - consumers receive quality service; and
 - consumers are fully informed.
- Develop a Recommended Best Practices document to assist registrants and outside sales representatives.

Governance Committee

(Chair: James Savary)

Governance Model and Policies

- Conduct an annual review of TICO's Governance Model and make recommendations considering the Board's role, purpose, core values and responsibilities.
- Be responsible for policies in relation to corporate governance.
- Conduct an annual review of the Board of Directors Code of Conduct and recommend changes when appropriate.
- Annually review the Board and Committee Attendance Policy, which sets out TICO's expectations with respect to board and committee attendance and sets out the process for dealing with attendance problems and make recommendations if changes are required.
- Review and make recommendations regarding TICO's Board Committee policies.

- Recommend any changes required to TICO's By-law in relation to governance issues.

Board Composition - Member Recruitment and Retention

- Review composition of the Board, in particular, industry representation on the Board.
- Review and make recommendations regarding board member recruitment and selection as well as the election process. This will include an annual review of the following:
 - Criteria/Qualifications to be a TICO Board Member
 - TICO Board Member Profile
 - TICO Terms of Reference for a Board Member
 - Criteria for Minister's Appointments
 - Board Chair Profile
 - Board Vice Chair Profile
 - Compensation Fund Committee Chair Profile
 - Election of Directors Policy and Campaigning Guidelines
- Oversee communication materials regarding board member criteria for groups eligible to make appointments to the Board and candidates for election.
- Examine the issue of board member retention, including an annual review of board and committee member remuneration and recommend changes where appropriate.
- Succession planning for Board Chair.

Board Education and Development

- Review and recommend changes to TICO's Board Orientation process.
- Consider ongoing board training initiatives.
- Develop strategies to enhance board performance.

Board Evaluation

- Ensure annual board evaluation is undertaken.
- Devise a set of basic performance benchmarks to measure board effectiveness.
- Develop a system for evaluating the board's performance.
- Communicate results of board evaluations.

Other Initiatives

- Further to the Assessment of Consumer Protection Against Financial Instability in the Travel Industry, consider the feasibility of making additional information available for consumers on TICO's website.
- Consider any other matters referred to the Committee by the Board.

Alternate Finance Committee

(Chair: Jeff Element)

- Consider what the Compensation Fund should cover.
- Assess the level the Fund should be maintained at to ensure adequate protection for consumers.
- Review who should be contributing to the Fund.
- Determine a fair and workable method to assess contributions to the Fund.
- Explore whether there should be higher financial requirements for entry to the industry.
- Identify potential models for compensation by examining different models from other jurisdictions.
- Conduct a comparative analysis of potential models against Ontario's current system.
- Identify best practices from the various models analyzed.
- Assess whether the desirable aspects of those models would be workable for Ontario.
- Identify key areas of risk in registrant business practices.
- Consider steps that could be taken to reduce those risks.
- Explore whether fee reductions could be used as an incentive to encourage registrants to meet higher standards and reward financially stable registrants.
- Review definition of "travel agent".
- Consider whether registrants should be required to pay into the Fund on sales where no commission is earned.
- Consider whether registrants should be required to pay into the Fund if the transaction is not covered by the Fund.
- Consider whether registrants should be required to pay for end supplier failures.

Consumer Advisory Committee

(Chair: Michael Pepper)

- To provide the President/CEO with observations, advice and recommendations with respect to consumer issues.
- To monitor general trends vis-à-vis consumer complaints.
- To gather information on programs employed by other professions that are intended to increase consumer protection.
- To develop recommendations that will enhance consumer confidence and protection.
- To gather and exchange information on issues of interest and importance to consumers.
- To gather information on programs and/or implementation strategies for programs that will advance consumer protection.

BUSINESS ACCOMPLISHMENTS 2009/2010

BUSINESS PLAN OBJECTIVES	PERFORMANCE MEASURES 2009/2010	ACTIVITIES & ACCOMPLISHMENTS
Enhance Public Relations with Consumers, Registrants and Government	Develop communication plan for crisis situations.	The TICO Board of Directors established a Board Policy on Communications for Major Issues, which provides direction and protocols with respect to communications and spokespersons in the event of a crisis. TICO Management Team and designated spokespersons for TICO completed media training to assist with providing media interviews on behalf of TICO.
	Conduct three town hall meetings in person or via webinar to provide information and encourage feedback.	During the 2009/2010 fiscal year, TICO scheduled four town hall meetings to be held at the beginning of April and May of 2010 in London, Sudbury, Ottawa and Toronto. The purpose of the meetings is to obtain registrant feedback on the following issues: Industry Representation & TICO Board Composition; Alternate Financing of the Compensation Fund and Registering Individuals. The town hall meetings will also include a question and answer period with the Registrar to encourage feedback and dialogue with registrants.
	Utilize Consumer Awareness Campaign and public relations strategies to promote and increase understanding and awareness of TICO with stakeholders between 15% - 20%.	Continued with TICO's Consumer Awareness Campaign, which included various forms of media to extend the reach to consumers throughout Ontario including, television ads, radio ads, print advertising, television and radio interviews, web banner ads, online pay-per-click ads, enhancements to TICO's website and editorial coverage in several ethnic and community publications. Produced five 30 second informative videos (Overview, Regulation, Monitoring, Refunds and Complaints) about TICO to promote education and awareness of TICO's roles and services. The videos are available to be viewed on the home page of TICO's website as well as on Youtube. "You're Good To Go" pamphlet was produced and distributed for point-of-sale collateral material to all retail registrants to promote education and awareness of TICO to consumers and the benefits of purchasing travel services from an Ontario registered travel agency. Enhanced the collateral materials available to registrants on TICO's online Consumer Awareness Campaign Tool Kit to allow registrants to support the campaign by using various downloadable versions of the TICO logo, banner ads, e-ticket stuffer and the five TICO videos.

BUSINESS PLAN OBJECTIVES	PERFORMANCE MEASURES 2009/2010	ACTIVITIES & ACCOMPLISHMENTS
Enhance Public Relations with Consumers, Registrants and Government <i>(continued)</i>	Utilize Consumer Awareness Campaign and public relations strategies to promote and increase understanding and awareness of TICO with stakeholders between 15% - 20%. <i>(continued)</i>	Online pay-per-click advertising and website optimization enhancements increased visits to TICO's website to provide its consumer awareness message to 24,038 visits in November 2009 to March 2010 compared to 1,864 during the same period in 2008/09. During the same period, organic searches for TICO on Google increased to 23,214 from 2,707 the previous year. Online omnibus survey conducted at the end of the media run for the Campaign to measure success resulted in a significant increase in the understanding of TICO's roles and services. Understanding of TICO increased to 74% in 2009/10 compared to 65% in 2008/09. In addition, there was an increase in understanding to 69% (from 62% in the previous year) by consumers that they must purchase their travel services from an Ontario registered travel agency to obtain the protection from TICO and the Compensation Fund. TICO participated at seven consumer and industry trade shows such as the Travel and Leisure Show, Ski & Travel Show and the Woman's Show during the fiscal year to promote consumer awareness as to the benefits of purchasing travel services from Ontario registrants. Conducted 75 media interviews promoting knowledge and awareness of TICO.
	Review current methods to obtain feedback about TICO from stakeholders to determine opportunities to increase the response rate.	Consulted with registrants on the issue of the composition of TICO's Board of Directors by conducting an online survey with all registrants to obtain feedback.
	Provide more information on TICO's website for consumers.	As a result of the Provincial Government's Assessment of Consumer Protection against Financial Instability in the Travel Industry (Assessment Report), TICO enhanced the information on its website with respect to how to file a claim against the Ontario Travel Industry Compensation Fund. The information is presented in a step by step format for ease of use and understanding by consumers. The TICO Board approved a proposal to enhance registrant information to be provided on TICO's website to provide more disclosure to consumers. Information to be added to the website during the 2010/11 fiscal year. TICO launched its online subscription for the TICO Talk Newsletter on its website in September of 2009.

BUSINESS PLAN OBJECTIVES	PERFORMANCE MEASURES 2009/2010	ACTIVITIES & ACCOMPLISHMENTS
Review of Compensation Fund Model	Review current coverage available under the Compensation Fund and determine any gaps in coverage and explore opportunities to expand coverage.	Continued its review of the current coverage under the Compensation Fund. Identified gaps in consumer protection and explored opportunities to expand coverage.
	Review the level of the Compensation Fund required in order to provide expanded coverage.	Continued its review of the issues surrounding credit card payments and their impact on the industry, such as increased security requirements placed against registrants and use of off-shore credit card processing companies and the affect on the Compensation Fund coverage.
	Consult with stakeholders on the opportunities to expand coverage and funding options.	Further to the Assessment Report, TICO provided input to the Consumer Measures Committee in discussions to develop a national scheme for consumer protection. TICO scheduled four town hall meetings to be held at the beginning of April and May of 2010 in London, Sudbury, Ottawa and Toronto. One of purposes of the meetings is to obtain registrant feedback on alternate financing of the Compensation Fund.
Review the Business Model of How Travel Services are Being Sold	Determine how the business model has changed taking into consideration factors such as the Internet, home-based/ outside sales representatives and the consolidation of the industry.	As a result of TICO's review as to how travel services are being sold, TICO scheduled four town hall meetings to be held at the beginning of April and May of 2010 in London, Sudbury, Ottawa and Toronto. One of the purposes of the meetings is to obtain registrant feedback on Registering Individuals.
	Assess whether any gaps in consumer protection exists as a result of the review of the business model.	
	Determine if there are opportunities to close the gaps through legislative, regulatory and/or policy changes.	
Explore and Implement Environmentally Friendly Initiatives within TICO Operations	Make recommendations to ensure appropriate consumer protection measures are in place.	Completed a review of TICO operations to identify opportunities to reduce consumption and increase recycling. Reviewed office waste and recycling program and adopted new enhanced recycling procedures introduced by building management. Participated in various recycling programs, which include all paper, glass, metal, plastic, printer toner cartridges, batteries, pc's and monitors.
	Review TICO operations to identify opportunities to reduce consumption of various resources.	
	Perform office waste/recycling audit.	

BUSINESS PLAN OBJECTIVES	PERFORMANCE MEASURES 2009/2010	ACTIVITIES & ACCOMPLISHMENTS
Explore and Implement Environmentally Friendly Initiatives within TICO Operations <i>(continued)</i>	Convert to “green” cleaning products in office.	Adopted use of “green” cleaning products and eco-friendly office supplies wherever economically possible.
	Convert to “eco” friendly office supplies where possible.	Discontinued use of plastic water bottles and commenced use of economical and environmentally friendly water filtration system.
		Discontinued use of plastic TICO bags at consumer trade shows to hold informative consumer materials and replaced them with re-usable bags made from a non-woven recycled material.
	Reduce hard copies of travel magazines/ trade press received by TICO and resort to electronic option.	Reduced hard copy subscriptions of travel magazines and trade press publications received at TICO to increase use of electronic option. Continued to distribute various TICO communications electronically to all stakeholders including press releases, consumer and industry advisories, Registrar Bulletins, Annual Report, Business Plan and TICO Talk newsletter.
	Document current recycling practices.	Commenced documentation of recycling and environmentally friendly practices and policies that have been identified and developed within TICO’s operations.
Review and Recommend Changes to the <i>Travel Industry Act, 2002</i> and Ontario Regulation 26/05	Review Regulation to determine where changes would be beneficial.	Continued to review the Act and Regulation to ascertain where changes may be beneficial to address emerging issues. Following the closure of Conquest Vacations on April 15, 2009, TICO participated in a government review entitled the Assessment of Consumer Protection against Financial Instability in the Travel Industry (Assessment Report), which resulted in various recommendations. As a result of the Assessment Report, Terms and Conditions of Registration were revised to include a requirement that notice be provided to the Registrar in the event a registrant wishes to cease operations.
	Meet with industry and government representatives with respect to proposed changes to the Regulation.	Continued to work with the Ministry of Consumer Services on TICO’s submission provided in 2008/2009 on various issues with proposed amendments.
	Consult with stakeholders on proposed changes.	Assisted the Ministry with the coordination of a consultation with stakeholders. Consultation with stakeholders was completed on December 16, 2009.
	Review feedback received from consultation process and submit proposed changes to the Ministry.	Ongoing consultation with the Ministry conducted on specific proposals for legislative and regulatory change that required further input from TICO.

CONTINUING BUSINESS OBJECTIVES 2009/2010

BUSINESS PLAN OBJECTIVES	CONTINUING PERFORMANCE MEASURES 2009/2010	ACTIVITIES & ACCOMPLISHMENTS
Maintain and Improve Operational Efficiency	Maintain and monitor performance of TICO Education Standards Programme including ongoing compliance and updating of content of the Study Manual and exam questions.	Continued to monitor the performance of the TICO Education Standards Programme including ongoing compliance, maintaining statistics and updating of content of the Study Manual and Exam questions when required. During the fiscal year a total of 15,198 exams were written as follows: – 13,761 travel agents had written the Travel Counsellor Exam. – 348 travel agents had written the Supervisor/Manager Exam. – 1089 individuals had written the combined Travel Counsellor and Supervisor/Manager Exam. 1,956 letters sent to Supervisor/Managers providing confirmation that they are grandfathered from writing the Education Standards Supervisor/Manager exam.
	Review TICO's procedures and make amendments to policies.	Established a Board Evaluation Policy to assess board governance. All TICO staff completed an online Ministry Accessibility Customer Service Course to assist in better serving individuals with disabilities pursuant to the Accessibility Standards for Customer Service, Ontario Regulation 429/07. TICO Personnel Manual was reviewed and updated.
	Efficient and timely processing and approval of claims resulting from registrant closures.	During the 2009/10 fiscal year, TICO processed 871 claims resulting in \$3,013,219.23 in claims from the Compensation Fund. A total of 4,978 consumers were assisted during the fiscal year.
	Efficient and timely processing of consumer complaints.	During the 2009/10 fiscal year, TICO processed 234 complaints and assisted consumers in receiving \$54,815.64 in restitution.
	Ensure that compliance process procedures are efficient and timely.	During the fiscal year, a total of 586 compliance files were opened and 549 files were closed.
	Complete TICO's internal Disaster Recovery Plan which will set out policies and procedures for TICO in the event of a disaster.	Finalized development of the Disaster Plan (Business Continuity) for the purpose of operational recovery in the event of a disaster.
	Meet the terms of the Administrative Agreement.	Met the terms of the Administrative Agreement by maintaining operations and systems for effectively administering the terms of reference of TICO's mandate with the Ministry.

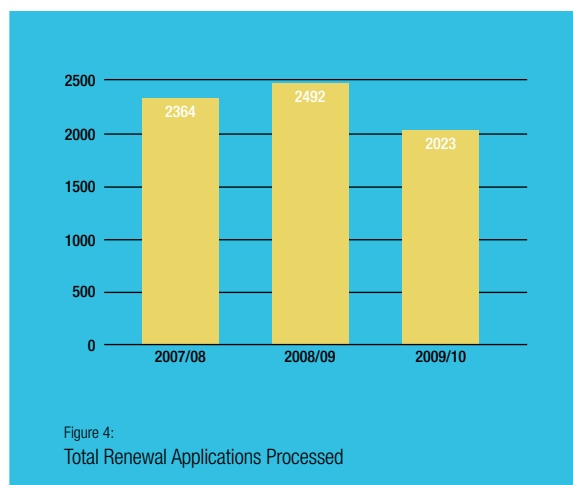
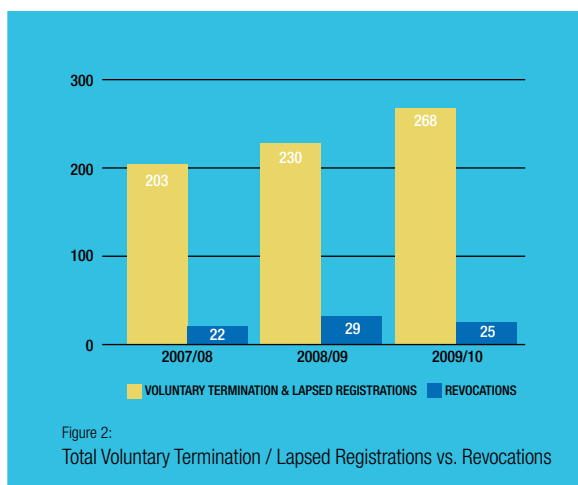
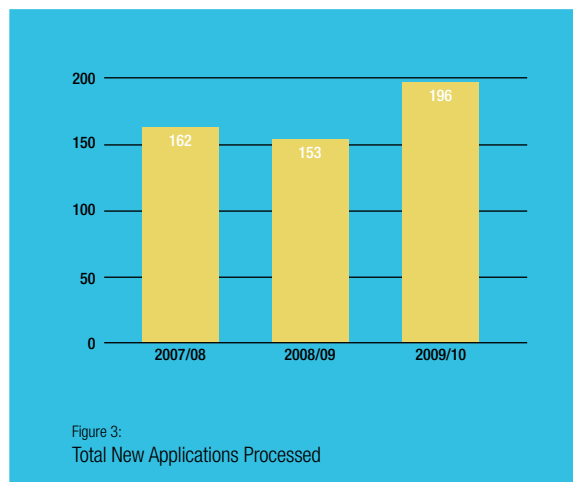
BUSINESS PLAN OBJECTIVES	CONTINUING PERFORMANCE MEASURES 2009/2010	ACTIVITIES & ACCOMPLISHMENTS
Maintain and Improve Operational Efficiency <i>(continued)</i>	Align Form 1 payments with annual registration renewals including incorporating changes to TICO's database to allow for alignment of Form 1 payments with annual registration renewals.	The Form 1 payments have not yet been aligned due to the ongoing review of the alternate financing of the Compensation Fund.
Communications and Government Liaison	Maintain and regularly update TICO's website.	TICO website maintained and kept up to date with timely information for the benefit of all stakeholders. Information provided included communication items such as FAQ's on Education Standards, press releases, industry advisories, closure advisories, Registrar Bulletins, TICO Talk Newsletter, Business Plan, Annual Reports and other information items. Enhanced information for consumers on how to file a claim against the Compensation Fund. Maintained and updated TICO's online Registration Tool Kit for all registrants as a resource for all TICO downloadable forms, guidelines and legislation.
	Distribute TICO Talk quarterly newsletter to registrants, develop and distribute informational literature on various topics and distribute Industry Advisories and Registrar Bulletins to all stakeholders on significant and timely issues.	Prepared and distributed a quarterly newsletter (TICO Talk) to all registrants, which included information on timely and significant issues to industry. Continued to provide industry with information on timely and important industry issues via press releases, Industry and Consumer Advisories, Registrar Bulletins, TICO Talk newsletter and by conducting various trade and mainstream media interviews.
	Continue to liaise with the Ministry of Consumer Services on issues that are sensitive to government and issues that require input.	TICO continued to liaise with the Ministry of Consumer Services on issues that require TICO's input and participated in regular liaison meetings. Participated in Ministry hosted quarterly meetings for all Delegated Administrative Authorities to attend and exchange information. Submitted performance measures to the Ministry of Consumer Services on a quarterly basis.
	Continue to communicate and restate TICO's Voluntary Code of Ethics to all registrants.	Communicated and restated TICO's Voluntary Code of Ethics for registrants on TICO's website and TICO Talk newsletter.
	Make available a Business Plan to all stakeholders by June 30, 2009.	Distributed and made available on the TICO website TICO's annual Business Plan for 2009-2012 to all stakeholders on September 24, 2009.
	Work with the Ministry to finalize outstanding items in the Administrative Agreement.	Outstanding items in Administrative Agreement to be finalized.

OPERATIONAL PERFORMANCE REVIEW

Registration

On March 31, 2010, there were a total of 2,536 registrations with TICO (Fig. 1). Of the total registrants, 85% (2,150) are retail travel agencies, who sell travel services directly to consumers and 15% (386) are travel wholesalers, who sell travel services through travel retailers.

In 2009/2010, there were a total of 293 terminations. Since 2008, there has been a steady decline in registrations, which is not unexpected, due to economic factors and consolidation in the Industry (Fig. 2). A total of 2,219 registrations were processed under the *Travel Industry Act, 2002* in 2009/2010, which included 196 new registrations (Fig. 3) and 2,023 renewals (Fig. 4). Registrations are renewed annually.



Complaint Handling Process

TICO staff receive numerous telephone and email enquiries on a daily basis including those from consumers, registrants, applicants, government and Industry stakeholders. TICO staff provides information with respect to consumer and business complaints, registration processes and acceptable business practice.

TICO provides complaint handling for consumer-to-registrant disputes. After encouraging consumers to pursue all avenues with the registrant, TICO staff will assist with the goal of reaching a mutually acceptable solution. However, TICO does not have the authority to settle a dispute, or to impose a settlement, and it does not have the authority or mandate to act as an arbitrator in any complaint matter. When a complaint involves allegations of non-compliance with the Act, the Registrar will undertake the necessary compliance and enforcement activities. If such is the case, this will be dealt with separately from assisting with resolution of the complaint. When a mutual solution is not reached, complainants are provided with information regarding options to pursue matters.

When TICO receives a complaint it may be resolved in anywhere from a few hours over the telephone or a few weeks to a few months for a formal written complaint. The length of time varies depending on the complexity of the issues, the availability of feedback and documentation required, and the level of cooperation of those involved.

Registrant-to-registrant disputes have not been handled traditionally by the Registrar, unless financial issues or other allegations of non-compliance with the Act are involved.

Complaints Committee

Consumers and registrants with complaints about TICO's activities are invited to contact the Complaints Committee of the Board of Directors.

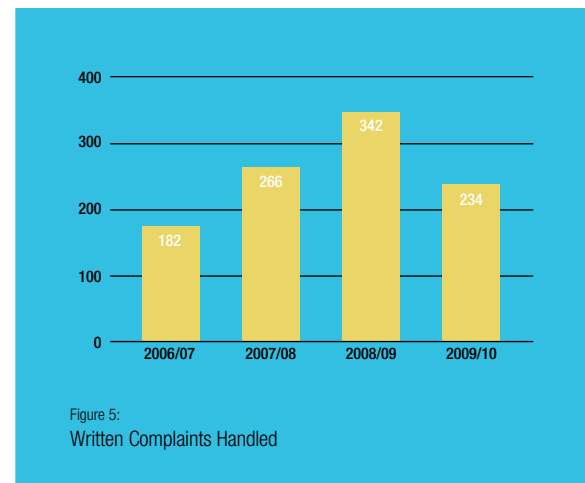
The Complaints Committee's mandate is to review and resolve, as appropriate, complaints against TICO, which are based on dissatisfaction with the quality and fairness of its services to registrants and consumers. The Committee also makes any recommendations with respect to TICO's complaint handling procedures that may arise from reviews of particular complaints. The Committee is composed of representatives of various stakeholders. During the 2009/2010 fiscal period, there were no complaints received against TICO.

Appeals against the Registrar's administrative decisions may proceed, as appropriate, to the Licence Appeal Tri-

bunal. Complaints may be submitted to TICO by telephone, fax, mail or e-mail.

Complaints

TICO handled 234 written consumer complaints in 2009/10 compared to 342 in the previous year (Fig. 5).



In processing these complaints, TICO successfully assisted consumers in obtaining \$54,815.64 in restitution compared to \$114,568.42 the previous year. In addition, TICO handled 2,634 telephone complaint inquiries and 343 email complaint inquiries. The most frequent types of written complaints received at TICO in 2009/2010 were:

1. Incomplete or incorrect information provided to the consumer by the registrant. (i.e. information regarding the travel product or services being sold.)
2. Outstanding refunds.
3. Invoicing issues. (i.e. not complete with required information or not provided to consumer.)
4. Customer service issues.
5. Accommodation purchased by the consumer changed and not provided in destination.
6. Cancellation / Terms & Conditions.
7. Price disputes.
8. Misrepresentation of travel services by registrant in an advertisement or brochure.
9. Information / Documentation. Issues related to travelling with passports and other travel documents.
10. Incorrect ticketing / ticketing errors.

Consumer Survey Results – Complaints Process

During the fiscal year 2009/10, TICO distributed consumer surveys to 234 consumers who filed complaints against registrants with TICO inviting feedback as to their experience with TICO's complaint's process. At the end of March 2010, there were 26 completed surveys returned to TICO.

The results of the 26 completed surveys received were as follows:

When asked to rate their overall satisfaction with TICO's handling of their complaint, 16 consumers advised they were satisfied and 7 consumers were dissatisfied and 3 consumers were neutral in their opinion.

When asked to rate their satisfaction with the fairness of the process, 15 were satisfied; 8 were dissatisfied and 3 consumers were neutral in their opinion.

TICO reviewed the survey results and established that some of the consumers who expressed dissatisfaction had filed a complaint which contained issues that are not covered by the legislation and therefore were outside the scope of TICO. As such, TICO was unable to assist them.

In other cases, TICO was able to identify areas of a possible contravention(s) of the Act and/or Regulation on behalf of the registrant(s) involved. These issues were referred to TICO's Compliance Department for further review. As a result, TICO requires registrants to initiate corrective measures in an effort to prevent similar situations from affecting future travelers. However, such referrals are not directed at obtaining compensation for specific complaints. It should be noted that TICO does not have the authority to settle a dispute, or to impose a settlement.

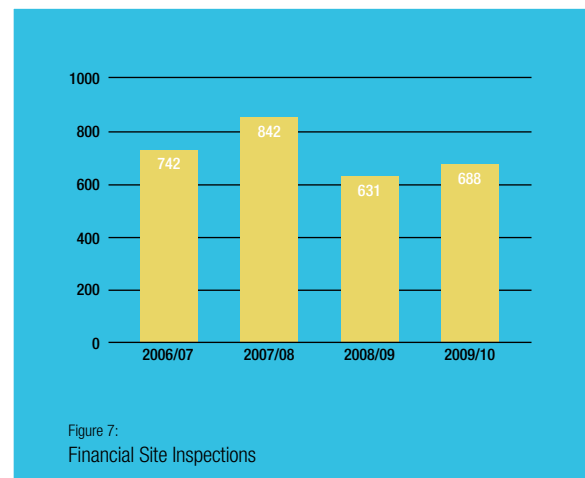
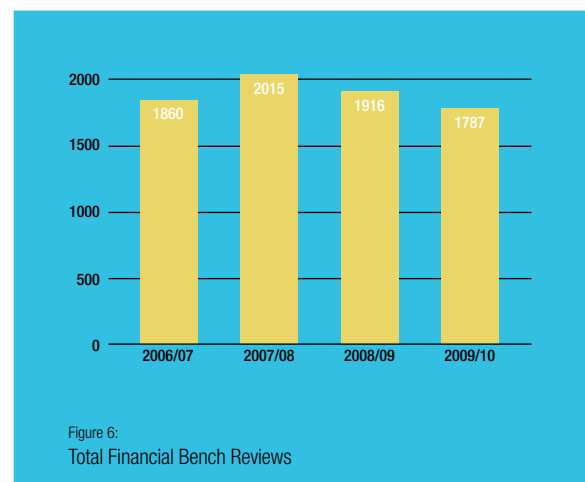
Some consumers expressed dissatisfaction with TICO not having the authority to settle a dispute, or to impose a settlement in complaint matters. TICO is in the process of developing a Discipline Process that will provide TICO with a mechanism to impose penalties against a registrant in the event of a contravention of the Act and Regulation. While the registrant may be subject to a penalty, this process may not result in any compensation to the consumer.

The survey results also indicated that 9 consumers expressed some dissatisfaction regarding complaint processing turnaround times and 3 consumers were neutral in their opinion. A total of 14 consumers were

satisfied with the length of time taken to process their complaint file. Turnaround times may vary considerably depending on the complexity of the issues involved as well as the responses received from complainants and registrants which could result in further information being required from suppliers or other third parties.

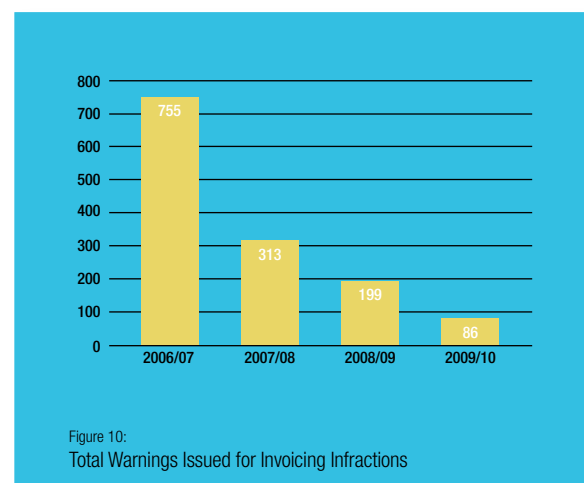
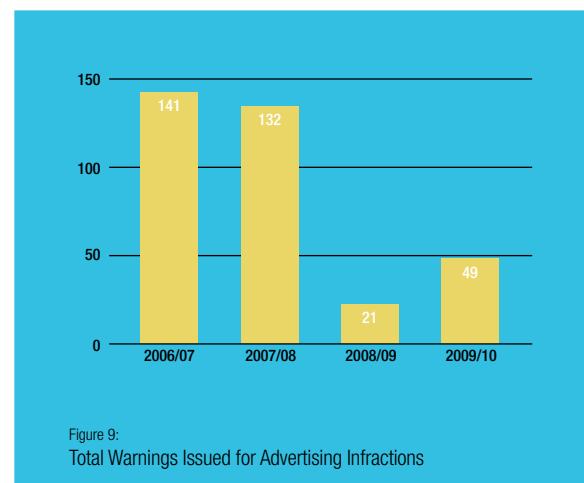
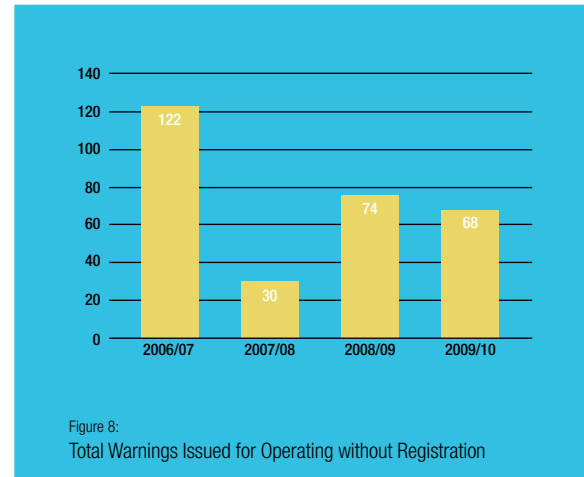
Financial Inspections

Under the direction of the Registrar, the Travel Industry Council of Ontario is responsible for conducting a financial inspection programme. All registrant financial statements are subject to a bench review to ensure compliance with the financial standards required by regulation. The bench review process produces information, which may determine those registrants that should receive financial site inspections. During the fiscal period 2009/2010, TICO completed 1,787 bench reviews (Fig. 6) and completed 688 financial site inspections compared to 631 in the prior year. (Fig.7).



Non - Financial Inspections

TICO performed 45 compliance site inspections during the 2009/2010 fiscal year compared to 33 in the prior year. Compliance site inspections are performed to address various issues such as advertising, invoicing and operating without registration. In 2009/2010, a total of 68 warnings for operating without registration compared to 74 in the previous year (Fig. 8) and 49 advertising warnings (Fig. 9) were issued to registrants and/or individuals who appeared to be carrying on business in contravention of the Act and Regulation. In addition, 86 invoicing warnings (Fig. 10) were issued to registrants who did not provide proper invoices and/or receipts in accordance with the Regulation. Invoicing deficiencies are forwarded to the Compliance Department from consumer complaints, financial inspections and claims. In addition, 37 warnings were issued during the fiscal year in relation to meeting the legislated Education Standards which came into effect on July 1, 2009. TICO sent 1,956 letters to Supervisor/Managers providing confirmation that they are grandfathered from writing the Education Standards Supervisor/Manager exam.



TRAVEL INDUSTRY COMPENSATION FUND

TICO is required to hold all Compensation Fund monies in trust. As at March 31, 2010, the assets held for the Compensation Fund were \$25,896,898.

Claims and Repatriation

Claims paid during the fiscal year ended March 31, 2010 compared to the previous year ended March 31, 2009 were as follows:

	2009/10	2008/09
Number of claims paid	437	163
Number of consumers assisted	4,978	326
Claims paid - Registrant failure	\$ 810,333	\$ 332,073
Claims paid - End supplier failure	\$ 13,304	\$ 25,575
Total Claims paid	\$ 823,637	\$ 357,648
Repatriation	\$ 2,189,582	\$ —
Total claims & repatriation	\$ 3,013,219	\$ 357,648
Less recoveries	\$ (93,327)	\$ (109,375)
Net claims paid	\$ 2,919,892	\$ 248,273

Repatriation / Trip Completion

Repatriation costs paid to assist consumers during the fiscal year ended March 31, 2010 resulted from the failures of Conquest Vacations Inc. and Sunrise International Travels Inc. The breakdown is as follows:

	No. of Consumers Assisted	Repatriation Cost
Conquest Vacations Inc.	3,401	\$ 1,563,530
Sunrise International Travels Inc.	602	\$ 626,052
Total	4,003	\$ 2,189,582

CLOSURES IN 2009/10 RESULTING IN SIGNIFICANT CLAIMS PAID

Conquest Vacations Inc.

o/a Conquest Vacations Inc.

On April 15, 2009, Conquest Vacations Inc. voluntarily terminated its registration to operate as a travel wholesaler under the Ontario *Travel Industry Act, 2002*. Conquest Vacations Inc. sold mainly air and packaged

holidays to various destinations. During the year ended March 31, 2010, a total of \$1,873,793 was paid out of the Compensation Fund, assisting 3,725 consumers. The total amount paid includes the cost to repatriate 3,401 consumers who were in destination at the time of the closure.

Sunrise International Travels Inc.

o/a Sunrise International Travels Inc.

On December 18, 2009, Sunrise International Travels Inc. voluntarily terminated its registration to operate as a travel retailer and as a travel wholesaler under the Ontario *Travel Industry Act, 2002*. Sunrise International Travels Inc. sold mainly air only to various destinations. During the year ended March 31, 2010, a total of \$968,513 was paid out of the Compensation Fund, assisting 1,112 consumers. The total amount paid includes the cost to repatriate 602 consumers who were in destination at the time of the closure.

Other Closures

The following entities ceased operations in previous years and resulted in claims paid during the 2009/10 fiscal year:

Jofir Investments Ltd.

o/a College Travel (Retail)

o/a Skyways International (Wholesale)

On January 16, 2009, Jofir Investments Ltd. voluntarily terminated its registration to operate as a travel retailer under the Ontario *Travel Industry Act, 2002*. College Travel and Skyways International sold mainly air and packaged holidays to various destinations. During the year ended March 31, 2010, a total of \$47,409 was paid out of the Compensation Fund, assisting 31 consumers.

Caravan 4U Travel Inc.

o/a Caravan 4U Travel Inc. (Retail)

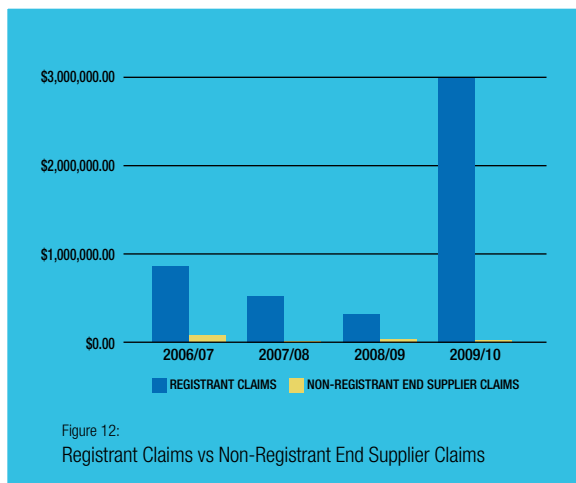
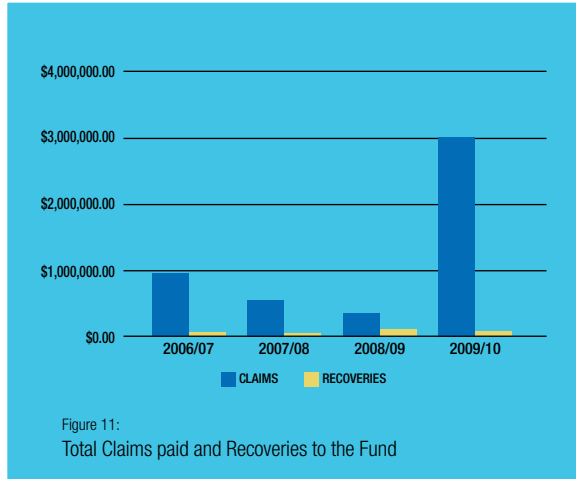
On March 26, 2009, Caravan 4U Travel Inc. had its retail registration to operate as a travel retailer under the Ontario *Travel Industry Act, 2002* revoked. Caravan 4U Travel sold mainly air only to various destinations. During the year ended March 31, 2010, a total of \$50,240 was paid out of the Compensation Fund, assisting 36 consumers.

SUMMARY OF CLOSURES RESULTING IN CLAIMS AGAINST THE COMPENSATION FUND AND CORRESPONDING RECOVERIES

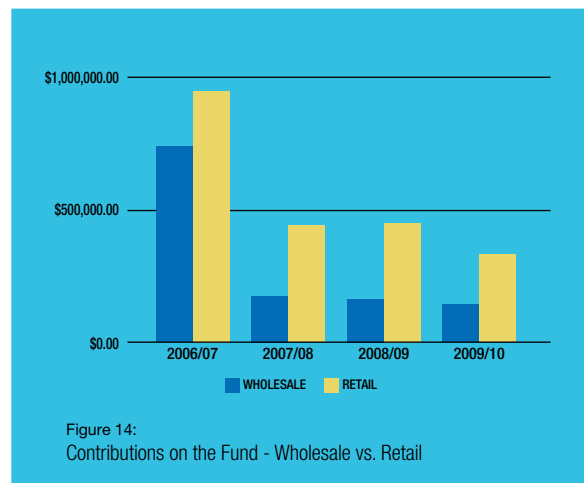
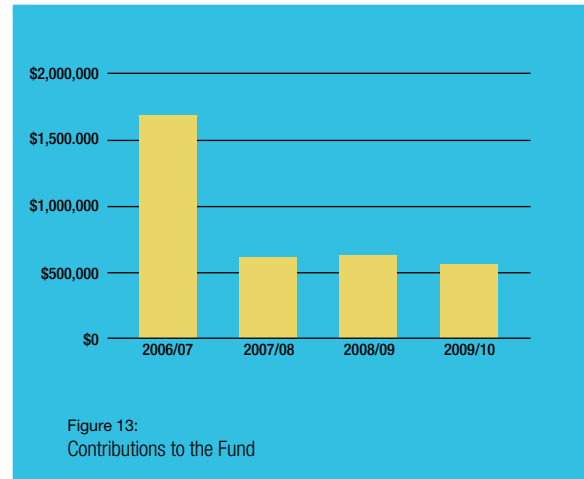
REGISTRANTS	CLAIMS PAID 2009/10 \$	RECOVERIES 2009/10 \$	CLAIMS PAID 2008/09 \$	RECOVERIES 2008/09 \$
Aero Canadian Tour & Travel Inc (R)		250	137,077	10,000
Air ExpressTravel Inc. (R) (W)	1,435			
Airtour Canada Ltd. (R)(W)	5,290			
Aloha Airlines Inc. *			4,539	
AlvesTravel Inc (R)		1,600	5,000	600
Amrals Travel Canada Ltd (R)		4,750		6,000
Blyth & Co. (R)				33,466
Caravan 4U Travel Inc. (R)	50,240			
Ceylon Tours & Travel Inc (R)		8,537		1,000
China Tours International Inc. (R)			1,277	
College Travel Centre / Skyways Int'l (R)(W)	47,409		27,485	
Conquest Vacations (W)	1,873,793	18,498		
Cruise Holidays of Brockville (R)		11,000		11,000
Dillon Travel Services Ltd. (R)			11,027	11,027
Dreamworld Travel & Vacations Inc. (R)			1,370	1,370
Ellas Travel (R)		7,245		13,213
Hillcrest Tour Group (W)		10,000		
Jerry Caplan Travel (R)	1,300			
Jetsgo *		17,343	80	6,265
Lifedream Travel & Tours Inc (R)	1,775		117,797	
Macsha Travels & Tours (R)		8,585	10,113	1,400
Manor Travel Ltd. (R)			6,146	
Moonlight Travel (R)	14,175			
Multi Travel & Tours (R)	1,400			
Nationwide Airlines *			1,700	
Nugget Travel & Tours Inc. (R)	5,477		14,700	
Oasis Hong Kong Airlines *			1,831	
Premier Holidays (R) (W)				12,714
Prime Travel and Tours (R)	7,265			
P & T Travel and Services Inc. (R)	3,360	3,360		
Star Travel & Cruise Ltd. (R)	862			
Sunrise International Travels Inc. (R) (W)	968,513	839		
The Travel Hut (R)	2,625			
Travelpack Marketing (R) (W)		1,320		1,320
Worldclass Travel Services (R)	14,996			
Zoom Airlines *	13,304		17,506	
TOTAL CLAIMS PAID (GROSS)	\$3,013,219	\$ 93,327	\$ 357,648	\$109,375

(R) = Retailer (W) = Wholesaler (*) = Non-registrant End Supplier (Airline or Cruise line)
 Note: Recoveries listed may relate to claims paid out in previous years.

Figure 11 illustrates the total claims paid by the Fund over the last four years. The increase in claims paid from the Compensation Fund during the 2009/10 fiscal year is as a result of two large registrant failures, namely Conquest Vacations Inc. and Sunrise International Travels Inc. Recoveries received by TICO in 2009/2010 were \$93,327 compared to \$109,375 recovered in 2008/2009.



Contributions to the Fund from registrants (Fig. 13) have decreased by \$41,375 over 2009/10. This is as a result of the decrease in gross sales by registrants.



Consumer Survey Results – Claims Process

During the fiscal year 2009/10, TICO distributed consumer surveys to 404 consumers who filed claims against the Compensation Fund inviting feedback on their experience with TICO's claims process. At the end of March 2010, a total of 3 completed surveys were returned to TICO.

The results of the completed surveys received were as follows:

When asked to rate overall satisfaction with TICO's handling of their claim, and the fairness of the process, 2 consumers indicated that they were very satisfied, 1 consumer was dissatisfied in the handling but was satisfied with the fairness of the process. The survey results also indicated that the 3 respondents were satisfied with the length of time taken to process their claims.

LEGAL MATTERS

Claims

The Licence Appeal Tribunal (LAT) hears appeals from decisions of the Board relating to the eligibility of claims for payment from the Compensation Fund. During the period ended March 31, 2010, LAT held five hearings. LAT upheld three decisions of the Board to disallow the claims and overruled two decisions of the Board to disallow a claim. Two of the decisions were appealed to Divisional Court and remain outstanding at the end of the fiscal year.

Investigations and Prosecutions

TICO initiates and performs investigations when it becomes apparent that there may have been a breach of the legislation which can result in charges being laid under the statute. Investigations conducted in 2009/2010 have resulted in the following prosecutions:

Aero Canadian Tour and Travel Inc., Ragubayan Logasundaram and Sutharsanan Shanmugasundaram were convicted on 1 count each of failing to obtain the consent of the Registrar prior to assuming the role of director of a Registrant, contrary to section 5(1) of the *Travel Industry Act, 2002*. Aero Canadian Tour and Travel Inc., Ragubayan Logasundaram and Sutharsanan Shanmugasundaram were convicted on 2 counts each of failing to maintain trust accounting contrary to section 27 of Regulation 26/05 made under the Ontario *Travel Industry Act, 2002*. Aero Canadian Tour and Travel Inc., Ragubayan Logasundaram and Sutharsanan Shanmugasundaram were convicted on 2 counts each of failing to notify the Registrar of a change in location and banking institution contrary to section 17(1) of Regulation 26/05 and 1 count each of operating without registration contrary to section 4(1) of the *Travel Industry Act, 2002*. The registration of Aero Canadian Tour and Travel Inc. under the Act was revoked on January 10, 2008 and \$137,077.45 in claims was paid from the Ontario Travel Industry Compensation Fund. Ragubayan Logasundaram was sentenced to 90 days in jail and a two year period of probation, which includes restitution to TICO in the amount of \$8,750 and he cannot be employed in the travel industry without the permission of the Registrar. Sutharsanan Shanmugasundaram was sentenced to a two year period of probation including paying restitution of \$6,000 to TICO and he cannot be employed in the travel industry without the permission of the Registrar. Aero Canadian Tour and Travel Inc received a suspended sentence.

Kailayanathan (Nathan) Kanapathi was convicted of one count of failing to advise the Registrar within 30 days of the transfer of 100% of the equity shares of Aero Canadian Tours & Travel Inc. contrary to section 15(1) of the *Travel Industry Act, 2002*. Mr. Kanapathi was the president of Aero Canadian Tour & Travel Inc. at the time of the transfer of shares. Mr. Kanapathi was fined \$1,000.

David Thomas Gray o/a All Sport Accommodations was convicted of 1 count of acting as a travel agent without registration contrary to section 4(1)(a) of the Ontario *Travel Industry Act, 2002* on appeal of the decision of Justice of the Peace Hodgins. Mr. Gray's company All Sport Accommodations books hotel accommodations for sports teams. In October 2008 Justice of the Peace P. Hodgins acquitted Mr. Gray of the charge of acting as a travel agent without registration. TICO appealed the decision and on July 30, 2009, Justice Pockele overturned the decision of JP Hodgins and convicted Mr. Gray on the charge of operating as a travel agent without registration. On September 9, 2009, Mr. Gray was fined \$500. Mr. Gray has appealed Justice Pockele's decision to the Ontario Court of Appeal. The Court of Appeal's decision remains outstanding.

Mary Lebiecz was convicted on 2 counts of knowingly furnishing falsified financial statements to TICO, contrary to section 31(1)(a) of the Ontario *Travel Industry Act, 2002*. Ms. Lebiecz is the president of Vacation 2000 Ltd., a TICO registrant. Ms. Lebiecz was fined \$3,000. The charges against Vacation 2000 Ltd. were withdrawn.

Sendas Tours Inc. and Mariana Peralta were convicted on 24 counts each of failing to maintain trust accounting contrary to section 27 of Regulation 26/05 made under the Ontario *Travel Industry Act, 2002*. Sendas Tours Inc. closed in March 2007 and \$21,443 in claims was paid from the Ontario Travel Compensation Fund. Ms. Peralta was fined \$5,000 and sentenced to probation for a 2 year period, which includes that she perform 50 hours of community service and is not allowed to be employed in the travel industry as a manager/supervisor without the written consent of the Registrar. Sendas Tours Inc. received a suspended sentence

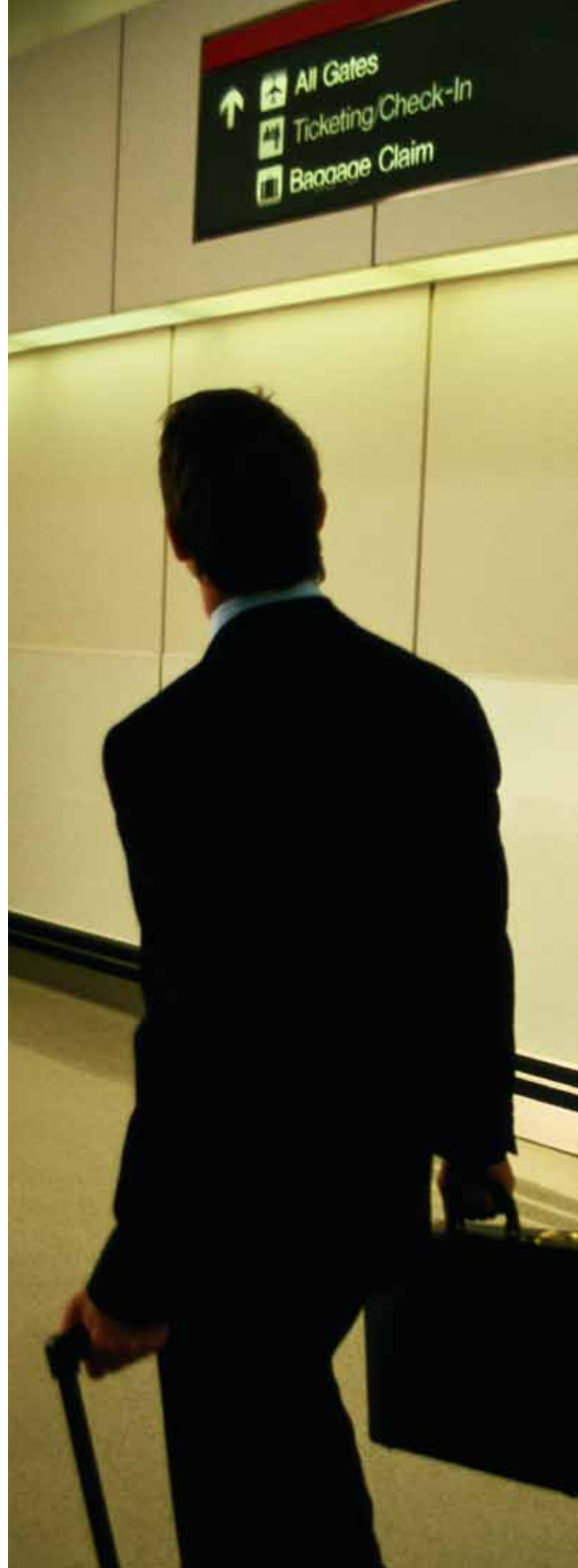
Moazzam Ali Khan and Arif Mohammed Javed were convicted on 1 count each of acting or holding themselves out as being available to act as a travel agent without being registered contrary to subsec-

tion 4(1)(a) of the Ontario *Travel Industry Act, 2002*. Mr. Khan was the director of Nugget Travel and Tours Inc. whose registration was revoked on November 3, 2008. Mr. Javed was the manager of Nugget Travel and Tours Inc. Mr. Khan was fined \$2,000 and Mr. Javed was fined \$1,000 and both were given 2 years to pay their fines.

Rose Scurti and MRV Enterprises Inc. o/a Uniglobe Intrigue Travel were convicted of failing to maintain trust accounting contrary to section 27 of Regulation 26/05 made under the Ontario *Travel Industry Act, 2002*. Rose Scurti was convicted on two counts and MRV Enterprises Inc. was convicted on one count of operating as a travel agent without registration contrary to section 4(1) of the Ontario *Travel Industry Act, 2002*. MRV Enterprises Inc. o/a Uniglobe Intrigue Travel was previously registered under the *Travel Industry Act, 2002* but continued to operate after its registration was revoked on March 28, 2008. Rose Scurti was fined \$4,000 plus a victim surcharge fee of \$1,000 for a total of \$5,000 and must also pay restitution in the amount of \$15,023.15 to two victims. Ms. Scurti is subject to a two year period of probation where she must perform 50 hours of community service and is not allowed to work in the travel industry in any capacity without the written permission of the Registrar, *Travel Industry Act, 2002*. MRV Enterprises Inc. o/a Uniglobe Intrigue Travel received a suspended sentence

1195798 Ontario Inc. o/a Sonalis Travel and Kim Phuong Tran have each been convicted of 1 count of operating as a travel agent without registration contrary to section 4(1)(a) of the Ontario *Travel Industry Act, 2002*. 1195798 Ontario Inc. o/a Sonalis Travel was previously registered as a travel agent under the Act, however, the registration was revoked on August 10, 2009. Kim Phuong Tran was fined \$3,000 and must serve a 2 year period of probation and cannot work in the travel industry without the prior approval of the Registrar. 1195798 Ontario Inc. o/a Sonalis Travel received a suspended sentence.

1339875 Ontario Inc. o/a Faro Travel Agency and Tom Marsala were convicted of 1 count each of operating as a travel agent without registration contrary to section 4(1)(a) of the Ontario *Travel Industry Act, 2002* and 3 counts each of issuing false statements contrary to section 31(1)(a) of the Act. 1339875 Ontario Inc. o/a Faro Travel Agency was previously registered as a travel agent under the Act, however, the registration was revoked on October 21, 2009.





Tom Marsala was the manager of Faro Travel Agency and the agency continued to operate after the date of revocation. Tom Marsala was fined \$2,000 and 1339875 Ontario Inc. o/a Faro Travel Agency received a suspended sentence.

George Norman Street was convicted on one count of failing to maintain trust accounting contrary to section 27(6) of Regulation 26/05 made under the *Travel Industry Act, 2002*. Mr. Street was the President of Hillcrest Tour Group Ltd., which failed in September 2006. \$40,576.08 in claims was paid from the Ontario Travel Compensation Fund. Mr. Street was fined \$500 and ordered to pay restitution to the Ontario Travel Compensation Fund in the amount of \$10,000. Charges against Hillcrest Tour Group Ltd. were withdrawn.

Iftekhar Hussain was convicted on 1 count of operating without registration contrary to section 4(1) of the *Travel Industry Act, 2002*. Mr. Hussain was fined \$1,000.

Proposals to Revoke Registration

A total of 80 proposals to revoke registration, 1 proposal to refuse to register and 1 immediate suspension were issued during 2009/2010. The proposals were issued for the following reasons:

	2009/10	2008/09
Failure to file Financial Statements	49	51
Failure to maintain Working Capital	17	08
Failure to maintain Trust Accounting	4	1
Other Breaches of the Act and Regulation	<u>11</u>	<u>11</u>
	81	71

TICO attended 32 pre-hearings and 4 hearings before LAT in response to the proposals issued against registrants. Pre-hearings are now a mandatory part of the LAT appeal process. Some proposals were settled prior to their scheduled hearing date. During the year, 23 registrations were revoked, 38 proposals were withdrawn and 14 were settled by consent order. At the beginning of the fiscal year, there were 10 outstanding proposals and at the end of March 2010, there were 16 outstanding proposals.

CONSUMER AWARENESS CAMPAIGN



In 1999, TICO launched a Consumer Awareness Campaign with a goal to educate consumers and promote awareness in Ontario about TICO, the Travel Compensation Fund and the protection available to consumers when they purchase their travel services from an Ontario registered retail travel agency. Since then, TICO has promoted awareness by using strategies that incorporated different forms of media such as television, radio and newspaper ad campaigns.

During the 2009/2010 fiscal year, TICO worked with Larter Advertising on TICO's Consumer Awareness Campaign. They developed a campaign strategy with a goal to increase awareness among consumers but also to ensure that consumers gain a better understanding of what TICO does, how it can assist them and what protection is available in Ontario. To accomplish this goal, TICO's roles were broken into four major areas: Regulation, Monitoring, Refunds and Complaints. Informative videos were developed for each area, plus a general overview video for TICO. These videos were posted on the home page of TICO's website and were also available to be downloaded as collateral material for TICO registrants. The main focus of the campaign messaging was to drive consumers to TICO's website where they would be able to view the videos.

The campaign's media strategy included television ads, sponsorship of the whole season of AM 640's Planes, Trains and Automobiles show hosted by Arlene Bynon

and banner ads in Forever Young Magazine. This magazine has a circulation of 513,000 and is targeted at the seniors market in Ontario. The campaign also included web banner advertising, optimization and other enhancements to TICO's website and pay-per-click advertising, which resulted in 12,400 clicks through to the website in just three months.

Public relations was also a component in the campaign's strategy and included various editorial and media interviews. TICO attended seven consumer trade shows and distributed informational literature. Collateral materials for TICO registrants were also distributed and made available for download from TICO's website to allow Ontario registrants to participate in and support the Campaign.

TICO conducted an online omnibus survey to measure the success of the campaign. The online survey revealed that although the campaign was not successful in achieving an increase in the awareness of TICO, there were significant increases in the correct understanding of TICO roles compared to the results in 2009. A total of 74% of respondents identified at least one role correctly, which is a significant increase over 65% in 2009. Awareness of TICO dropped in 2010 to 25% versus 31% in 2009.

TICO's goal is to surpass these results in the upcoming year. A new campaign strategy will be developed to benefit both consumers and registrants and will continue to focus on increasing consumer awareness in Ontario.

LEGISLATIVE AND BY-LAW CHANGES

Legislative Changes:

The following legislative changes came into force on December 15, 2009:

Subsection 3(3) of the *Travel Industry Act, 2002* (Act) was amended to remove the requirement that the Director supervise the Registrar.

Section 42 of the Act was amended by adding a subsection that makes clear that the Minister continues to have residual authority to make regulations despite any delegation to the board of the administrative authority.

By-Law Changes:

At TICO's Annual General Meeting on September 24, 2009, the following amendments were passed by the Members with respect to TICO By-Law No. One:

- The Board Composition was changed to add one additional ministerial appointee and to remove one elected industry seat.
- The term of elected directors was reduced to two years to allow them to continue to retire in rotation.
- Following the AGM in 2010, the Chair of the Board must be selected from one of the Minister's appointees for a three-year term.
- The maximum term for a Board member (elected or appointed) is ten years uninterrupted.
- The required quorum for a meeting of members was increased from two members to twenty members.
- Written notice of any motion is required at least 45 days prior to a meeting of members.
- The proxy provisions have been clarified to better ensure that the individuals present and voting at a meeting are properly authorized as representatives or proxies.
- It was clarified that TICO's CEO is an advisor to the Board, not a Board member.
- The Executive Council was changed to the Executive Committee.

FRENCH LANGUAGE SERVICES

TICO strives to respond to all inquiries received in the French language, whether oral or written. A comparable level of service will be provided in either language whenever and wherever demand and customer service warrant. TICO staff are able to communicate in several languages and provide both registrants and consumers with a timely, courteous and quality response to all French language enquiries. Correspondence received in French is responded to in French.





FINANCIAL REVIEW

The following financial review is based on the audited financial statements for the Travel Industry Council of Ontario for the year ended March 31, 2010 with comparative figures for March 31, 2009.

Overview

As at March 31, 2010, the combined Net Assets of TICO were \$26,700,760 compared to \$29,858,290 for the year ended March 31, 2009. The decrease in Net Assets was a result of total expenses exceeding revenues by \$3,157,530 for the year. Total revenues increased in 2009/2010 by 8% due to an increase in investment income. Net claims of \$3,048,339 contributed substantially to the increase in total expenses as operating expenses increased by only 1%.

TICO is required to hold all Compensation Fund monies in trust. As of March 31, 2010, the assets held for the Fund were \$25,896,898 compared to \$28,963,569 as of March 31, 2009.

Revenue

Total Revenue for the year ended March 31, 2010 was \$3,316,437 and derived from semi-annual assessments by Registrants to the Compensation Fund (\$569,078), applications for renewal of registrations (\$883,184) and from new applications for registration (\$330,063). A total of \$1,534,112 in investment income was earned during the year.

Semi-Annual Assessments

All registrants are required to pay into the Compensation Fund based on their gross travel sales. The current contribution rate for both retail and wholesale registrants is .05 per \$1,000 of sales. Semi-Annual Assessments were lower in 2010 at \$569,078 compared to \$610,453 in 2009.

	2010	2009
Retail	\$ 425,753	\$ 448,339
Wholesale	143,325	162,114
	<u>\$ 569,078</u>	<u>\$ 610,453</u>

Registration Fees

Revenue from registration fees is derived from two sources, new registration fees and renewal fees. New registration fees are \$2,750 for a head office and \$750 for a branch office and cover a one year period of registration. Renewals are made annually and are based on

a registrant's sales volume and can range from \$250 to \$1,500 per head office. The renewal fee for a branch office is \$250. Renewal Fees in 2010 were \$883,184 compared to \$961,383 in 2009 representing an 8% decrease in revenue. This was not an unexpected decrease in renewal fees, due to the decline in the overall registrations. New Registrant fees were \$330,063 in 2010, an increase of 6% compared to \$311,250 in 2009.

Investment Income

Investment income is \$1,534,112 for 2010 compared to \$1,180,428 in 2009. The increase in investment income over the prior year is due to unearned revenue of approximately \$349,000. The unearned revenue is the difference between the carrying amount and the market value of the investments at March 31, 2010.

Expenses

Total expenses increased significantly in 2010 to \$6,473,967 from \$3,648,694 in 2009. The significant variances are as follows:

Claims

Total claims for the year ended March 31, 2010 were \$3,141,666 which consists of three components: (1) claims, including trip completion and imminent departure expenses, from registrant failures of \$2,999,916 and (2) claims from the failures of non registrant end supplier airlines and cruise lines of \$13,303, (3) closure expenses of \$10,870 and professional fees of \$117,577 incurred in relation to closures and recoveries. Recoveries from security deposits and repayments from Registrants totalled \$93,327, which reduced the net claims figure to \$3,048,339. During the year, there were two large failures which resulted in the significant increase in claims. The total claims from the Conquest failure were \$1,873,793 and from the Sunrise failure, the claims were \$968,513. These two failures accounted for 94% of the total claims.

Consumer and Registrant Awareness expense for 2010 is less than 2009 by \$81,573. Expenses in this category include TICO's province wide Consumer Awareness Campaign, the cost of TICO's quarterly newsletter, TICO's website and the cost of participation at consumer trade shows. The decrease is attributed to a reduction in the cost of the newsletter as TICO began distributing the newsletter electronically only,

which reduced printing and distribution costs. Additionally, website costs in 2010 were less than 2009 by approximately 72%. In 2009, TICO had incurred costs to revamp the website.

Inspections, Compliance and Prosecutions expense increased over the prior year by \$141,826. This increase was as a result of an increase in inspections. In addition there was additional inspection and investigative activities as a result of the large registrant failures during the 2009-2010 year.

General and Office expense decreased by 7% from the prior year. The decrease is attributed to a reduction in printing costs as TICO provided its Annual Report and Business Plan electronically instead of mailing a paper copy to all registrants.

Government Oversight Fees expense total \$116,165 for 2010 compared to \$125,806 for 2009. These fees are paid to the Ministry under the terms of TICO's Administrative Agreement. The current Administrative Agreement was signed on August 1, 2005.

Regulatory Reform and Education Standards expense includes expenses related to the legislative review and the implementation of the education standards. During the year, TICO recovered fees from CITC for the initial outlay for the first 10,000 exams written. As of March 31, 2010, a total of 21,953 exams have been written since the introduction of the Education Standards Programme in 2008. The total exams written has exceeded TICO's estimate of total writers.

APPENDIX I

TRAVEL INDUSTRY COUNCIL OF ONTARIO

FINANCIAL STATEMENTS MARCH 31, 2010

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McGovern, Hurley, Cunningham, LLP
Chartered Accountants

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AUDITORS' REPORT

To the Board of Directors of the
Travel Industry Council of Ontario

We have audited the statement of financial position of the Travel Industry Council of Ontario ("TICO") as at March 31, 2010 and the statements of changes in net assets, operations, and cash flows for the year then ended. These financial statements are the responsibility of TICO's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

McGOVERN, HURLEY, CUNNINGHAM, LLP

Chartered Accountants
Licensed Public Accountants

TORONTO, Canada
May 20, 2010

2005 Sheppard Avenue East, Suite 300, Toronto, Ontario, Canada, M2J 5B4
Telephone: (416) 496-1234 – Fax: (416) 496-0125 – E-Mail: info@mhc-ca.com – Website: www.mhc-ca.com

	2010	2009
	\$	\$
ASSETS		
CURRENT		
Cash	2,459,284	2,918,627
Investments	26,346,002	28,729,148
Prepaid expenses and deposits	46,481	68,793
	<u>28,851,767</u>	<u>31,716,568</u>
EQUIPMENT (Note 3)	277,711	305,844
	<u>29,129,478</u>	<u>32,022,412</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	354,138	249,257
Deposits from registrants	1,976,648	1,805,593
	<u>2,330,786</u>	<u>2,054,850</u>
LEASEHOLD INDUCEMENT	97,932	109,272
	<u>2,428,718</u>	<u>2,164,122</u>
NET ASSETS		
Restricted for the Ontario Travel Industry Compensation Fund	25,896,898	28,963,569
Invested in equipment	277,711	305,844
Unrestricted	526,151	588,877
	<u>26,700,760</u>	<u>29,858,290</u>
	<u>29,129,478</u>	<u>32,022,412</u>

Commitments and contingencies (Note 6)

APPROVED ON BEHALF OF THE BOARD:

Signed "Jill Wykes"	, Chair of the Board
Signed "Jeff Element"	, Chair of the Audit Committee

	Invested In Equipment	Restricted For The Ontario Travel Industry Compensation Fund	Unrestricted	2010 Total	2009 Total
	\$	\$	\$	\$	\$
Balance, beginning of year	305,844	28,963,569	588,877	29,858,290	30,443,470
Excess of (expenses over revenues)	—	(3,082,144)	(75,386)	(3,157,530)	(585,180)
Purchase of equipment	33,120	(18,216)	(14,904)	—	—
Loss on disposal of equipment	(2,698)	1,484	1,214	—	—
Amortization of equipment	<u>(58,555)</u>	<u>32,205</u>	<u>26,350</u>	<u>—</u>	<u>—</u>
Balance, end of year	<u>277,711</u>	<u>25,896,898</u>	<u>526,151</u>	<u>26,700,760</u>	<u>29,858,290</u>

	2010	2009
	\$	\$
REVENUE		
Renewals	883,184	961,383
Semi-annual payments from registrants	569,078	610,453
New registrants	330,063	311,250
Investment income	1,534,112	1,180,428
	<u>3,316,437</u>	<u>3,063,514</u>
EXPENSES		
Claims and trip completion costs	3,013,219	357,648
Closure expenses	10,870	—
Professional fees and services	117,577	19,000
	<u>3,141,666</u>	<u>376,648</u>
Less: Recoveries	<u>(93,327)</u>	<u>(109,375)</u>
	<u>3,048,339</u>	<u>267,273</u>
Salaries and benefits	1,572,741	1,482,441
Consumer and registrant awareness	544,704	626,277
Inspections, compliance and prosecutions	512,604	370,778
General and office	195,785	210,949
Rent	172,002	183,458
Ontario Government oversight fees	116,165	125,806
Board meeting expense	101,052	84,657
Professional fees	71,288	71,730
Computer	55,059	45,165
Insurance	39,206	39,807
Credit checks	13,562	13,164
Travel	11,689	9,860
Regulatory reform and education standards	(38,784)	70,948
Amortization	<u>58,555</u>	<u>46,381</u>
	<u>6,473,967</u>	<u>3,648,694</u>
Excess of (expenses over revenues)	<u>(3,157,530)</u>	<u>(585,180)</u>

	2010 \$	2009 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of (expenses over revenues)	(3,157,530)	(585,180)
Adjustments for:		
Amortization	58,555	46,381
	<u>(3,098,975)</u>	<u>(538,799)</u>
Net changes in non-cash working capital balances:		
Prepaid expenses and deposits	22,312	10,275
Accounts payable and accrued liabilities	104,881	(103,824)
Deposits from registrants	171,055	237,585
Leasehold inducement	(11,340)	109,272
	<u>286,908</u>	<u>253,308</u>
Cash flows from operating activities	<u>(2,812,067)</u>	<u>(285,491)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(3,519,000)	(4,055,371)
Redemption of investments	5,902,146	3,162,480
Purchase of equipment	(30,422)	(258,449)
Cash flows from investing activities	<u>2,352,724</u>	<u>(1,151,340)</u>
Change in cash	(459,343)	(1,436,831)
Cash, beginning of year	<u>2,918,627</u>	<u>4,355,458</u>
Cash, end of year	<u><u>2,459,284</u></u>	<u><u>2,918,627</u></u>

1. NATURE OF OPERATIONS

The Travel Industry Council of Ontario ("TICO") was incorporated on April 7, 1997 as a not-for-profit corporation without share capital, under the laws of Ontario. TICO is designated by the Lieutenant Governor in Council, as the Administrative Authority responsible for administration of the Ontario *Travel Industry Act, 2002* (the "Act"). TICO's responsibilities are to carry out delegation of The Act in accordance with the Administrative Agreement and to achieve the Minister of Government Services' goal of maintaining a fair, safe and informed marketplace.

The Ontario Travel Industry Compensation Fund (the "Fund") is a fund established under the Ontario *Travel Industry Act, 2002* and Ontario Regulation 26/05 to reimburse consumers for travel services when they have been paid to an Ontario registrant, the travel services have not been provided and the registrant is unable to refund their money by reason of bankruptcy or insolvency. Under certain conditions, the Fund also pays claims resulting from the failure of cruiselines and airlines (end suppliers) to provide travel services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of TICO are in accordance with Canadian generally accepted accounting principles and their basis of application is consistent with that of the previous year, except as described below. Outlined below are those policies considered particularly significant.

Equipment and Amortization:

Equipment is stated at acquisition cost. Amortization is provided as follows:

Furniture and equipment	20% diminishing balance
Computer hardware	3 years straight-line
Computer software	2 years straight-line
Database	5 years straight-line
Vehicle	30% diminishing balance

Leasehold improvements are amortized on a straight-line basis over the remaining term of the lease, which expires November 30, 2018.

Revenue Recognition:

The deferral method of accounting for contributions is followed. The application of this method of accounting results in revenue in the form of semi-annual payments from registrants, as well as renewals and application fees from new registrants, being recorded when received. Interest income is recorded on the accrual basis.

Claims:

Claims are recorded at the time of approval by the Board of Directors. Claims must be made within six months after the registrant, or end supplier becomes bankrupt, insolvent or ceases to carry on business.

Recoveries:

Amounts recoverable to offset claims paid, including commissions recoverable from registrants, are recorded when received.

Trip Completion Costs:

Trip completion costs are authorized solely by the Director under The Act and are recorded when paid.

Lease Inducement:

Lease inducement is amortized on a straight-line basis over the remaining term of the lease, which expires November 30, 2018.

Use of Estimates:

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

Investments:

Investments consist of fixed income notes bearing interest at rates ranging from 3.85% to 5.09% and with maturity dates ranging from three months to ten years from March 31, 2010. Investments are carried at market value.

Financial Instruments:

Financial assets and liabilities are initially recognized and subsequently measured based on their classification as "held-for-trading", "available-for-sale" financial assets, "held-to-maturity", "loans and receivables", or "other" financial liabilities. Held-for-trading financial instruments are measured at their fair value with changes in fair value recognized in the statement of operations for the period. Available-for-sale financial assets are measured at their fair value and changes in fair value are included in the statement of changes in net assets until the asset is removed from the balance sheet. Held-to-maturity investments, loans and receivables and other financial liabilities are measured at amortized cost using the effective interest rate method.

TICO's investments have been classified as held-for-trading. Accounts payable and accrued liabilities have been classified as other financial liabilities.

Adoption of New Accounting Policies**Not-for-profit accounting:**

In November 2008, the Canadian Institute of Chartered Accountants ("CICA") issued amendments to Section 1540, Cash flow statements, Section 1751, Interim financial statements, Section 4400, Financial statement presentation by not-for-profit organization, Section 4430, Capital assets held by not-for-profit organization, Section 4460, Disclosure of related party transactions by not-for-profit organization and issued Section 4470, Disclosure of allocated expenses by not-for-profit organization. The new standards will be applicable to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009. Accordingly, TICO adopted the new standards effective April 1, 2009.

Sections 1540 and 1751 have been amended to include not-for-profit organizations within their scope. Section 4400 has been amended in order to eliminate the requirement to treat net assets invested in capital assets as a separate component of net assets and, instead, permit a not-for-profit organization to present such an amount as a category of internally restricted net assets when it chooses to do so. It also clarifies that revenues and expenses must be recognized and presented on a gross basis when a not-for-profit organization is acting as a principal in transactions. Section 4430 has been amended to specify that smaller organizations that capitalize their capital assets shall capitalize all classes of capital assets, amortize and write down those assets in accordance with relevant Handbook Sections. Section 4460 has been amended to make the language in Section 4460 consistent with related party transactions, Section 3840. Section 4470 establishes disclosure standards for a not-for-profit organization that classifies its expenses by function and allocates its expenses to a number of functions to which the expenses relate. The adoption of these standards requires TICO to begin presenting a statement of cash flows as part of its financial statements. Previously, no statement of cash flows had been presented.

Fair Value Hierarchy:

In June 2009, the Canadian Accounting Standards Board issued an amendment to CICA Section 3862, "Financial Instruments Disclosures" in an effort to make Section 3862 consistent with IFRS Section 7 - Disclosures ("IFRS 7"). The purpose was to establish a framework for measuring fair value in Canadian GAAP and expand disclosures about fair value measurements. To make the disclosures an entity shall classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy shall have the following levels: (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); (b) inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3). The adoption of the new standard resulted in additional disclosures in the notes to the financial statements.

Future Accounting Changes:

The Accounting Standards Board ("AcSB") has concluded that not-for-profit ("NPO") organizations may apply either International Financial Reporting Standards ("IFRS"), being Part I of the CICA Handbook, or the existing standards dealing with the unique circumstances of NPO's, currently the "4400 series" in Part V of the Handbook, along with the new accounting standards for private enterprises in Part II of the Handbook. An exposure draft was also released in March 2010 that would increase the "4400 series" standards. The changeover to IFRS or the "4400 series" standards is effective for fiscal years beginning on or after January 1, 2011 with early adoption permitted. TICO is currently assessing these alternate standards.

3. EQUIPMENT

	Cost	Accumulated Amortization	2010 Net	2009 Net
	\$	\$	\$	\$
Furniture and equipment	218,839	134,513	84,326	82,107
Computer hardware	146,853	128,925	17,928	26,725
Computer software	51,627	51,627	—	460
Database	244,416	244,416	—	—
Leasehold improvements	204,705	30,706	173,999	194,470
Vehicles	5,000	3,542	1,458	2,082
	<u>871,440</u>	<u>593,729</u>	<u>277,711</u>	<u>305,844</u>

4. RESTRICTED NET ASSETS

Article 2.01 of By-law one of TICO requires that all monies held shall be used in promoting its objects. Section 52 of Ontario Regulation 26/05 enacted under the Act requires that all money in the Fund and any income on such money shall be held by TICO in trust for the benefit of claimants whose claims for compensation are approved by TICO in accordance with the Regulation. Section 73 of Ontario Regulation 26/05 provides that remuneration of advisors may be paid from the Fund.

Ontario Regulation 26/05 made under the Act restricts the maximum amount that may be reimbursed for a failure to provide travel services with respect to all claims arising out of an event or major event to \$5,000,000, plus an additional \$2,000,000 for trip completion costs. The Fund pays a maximum claim of \$5,000 per person.

5. INCOME TAXES

As a not-for-profit corporation, TICO is not subject to income taxes, in accordance with Section 149(1)(l) of the Income Tax Act.

6. COMMITMENTS

- (a) Under terms of an Administrative Agreement signed August 1, 2005 between TICO and the Ministry of Government Services (the "MGS"), TICO is obligated to pay a maximum annual fee, based on cost recovery, of \$130,000 per year to the Province of Ontario. The MGS may increase this annual payment above the maximum amount in any given year in accordance with the terms of the Administrative Agreement.
- (b) TICO is committed to minimum rental amounts under a long-term lease for its premises which will expire November 30, 2018. Minimum rental commitments remaining under this lease approximate \$840,000. Minimum rental commitments for successive years approximate the following:

2011	\$ 90,400
2012	90,400
2013	90,400
2014	94,200
2015 and beyond	474,600
	<u>\$ 840,000</u>

7. FINANCIAL INSTRUMENTS**Fair Value:**

Canadian generally accepted accounting principles require that TICO disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the balance sheet date, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

The carrying amounts for accounts payable and accrued liabilities on the balance sheet approximate fair value because of the limited term of these instruments.

At March 31, 2010, TICO's financial instruments that are carried at fair value, consisting of cash and investments, have been classified as Level 1 within the fair value hierarchy.

Interest Rate Risk:

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments. TICO has investments in financial instruments that include term deposits, short-term notes, bonds and debentures which are subject to interest rate risk. TICO does not hedge its exposure to interest rate risk as it considers such risk to be minimal.

Foreign Exchange Risk:

Foreign exchange risk is the risk that the market value of financial instruments and the associated revenues will fluctuate due to changes in exchange rates. TICO does not use derivatives to modify foreign exchange risk.

Market Risk:

Market risk is the risk that a change in market prices, interest rate levels, indices, liquidity and other market factors will result in losses. TICO is exposed to market risk as a result of its investments in fixed income securities. TICO mitigates its market risk exposure through controls to limit concentration levels.

8. CAPITAL DISCLOSURES

TICO's capital is comprised of its net assets. TICO's objective in managing its capital is to remain a sustainable operation while fulfilling its overall mandate (Note 1). TICO achieves this objective by strong day-to-day management of its cash flows, and by regularly monitoring revenues and expenditures against its operating budget. See also Note 4.

Section 72(2) of Ontario Regulation 26/05 provides that TICO may, from time to time, invest any money of the Fund that is surplus to its immediate requirements in property in which a trustee is authorized to invest, in accordance with the Trustee Act.

The TICO Board adopted the following policy with respect to investing surplus funds of TICO:

A minimum of \$2,000,000 of such surplus funds will be invested in qualifying investments that mature within one year. The remainder of the surplus funds not invested in short-term investments will be invested in qualifying investments, which will be laddered in approximately equal proportions with maturities ranging between 2 and 10 years.

Approved Investments:

- Government - all government of Canada bonds and guarantees, all liabilities of Provinces of Canada and their guarantees.
- Banks/Trust Companies/Central Cooperative Credit Societies - Investments include Bearer Deposit Notes (BDNs), Bankers Acceptances (BAs), Guaranteed Investment Certificates (GICs), Certificates of Deposit (CDs) but do not include Swap Deposits. Authorized investments also include other liabilities unconditionally guaranteed by the Banks or the regulated Trust Companies.
- All funds must be invested in Canadian dollar denominated financial instruments.

Ratings:

The criteria for the inclusion of a bank, trust company or a central co-operative credit society on this list of authorized investments is:

	One Year or Less (Short Term Paper)	Over One Year in Length
Dominion Bond Rating Service (DBRS)	R-1	A
Canadian Bond Rating Service (CBRS)	A-1	A

Maximum Holdings:

Each individual investment in or guaranteed by any one bank, trust company or central cooperative credit society other than the Bank of Nova Scotia, Royal Bank of Canada, Bank of Montreal, Toronto-Dominion Bank and Canadian Imperial Bank of Commerce should not exceed 3% of the total amount invested and the aggregate of such investments should be not more than 20% of the total amount invested.

APPENDIX II

TICO BOARD OF DIRECTORS 2009-10

Industry Representatives

Jill Wykes – Chair

Senior Vice President, Human Resources
Thomas Cook Canada
Toronto, ON

Mike Foster – Vice Chair

President
Uniglobe Instant Travel
London, ON

Jeff Element

President
Travel Corporation Canada
Toronto, ON

Denise Heffron

Vice President Commercial
Transat Holidays
Etobicoke, ON

Thanushka Nanayakkara, CTM

President
NARAT Incorporated
Toronto, ON

David Shaw

President
Evans Intravel Inc
Orillia, ON

Scott Stewart

President
G. Stewart Travel Services Ltd.
Peterborough, ON

Richard Vanderlubbe *

President
Travel Superstore Inc.
Hamilton, ON

Brett Walker

General Manager of Canada
Collette Tours Canada Ltd.
Toronto, ON

Kathleen Warren, CTM

Senior Travel Consultant
Allison's Travel Agency Ltd.
Windsor, ON

Ministerial Appointments

Patricia Jensen

Board Member
Consumers Council of Canada
Toronto, ON

Shaher Bano Noor, C.A., C.F.P.

Managing Partner
Rosenthal Pervez & Noor LLP
Chartered Accountants
Mississauga, ON

Maria Mendes, L.L.B. **

Barristor & Solicitor
Mendes Law Firm
London, ON

Dr. James Savary

Department of Economics
Glendon College,
York University
Toronto, ON

* Appointed September 1, 2009

** Appointed May 11, 2009

BOARD OF DIRECTOR BIOGRAPHIES

Jill Wykes

Jill is Senior VP, Human Resources with Thomas Cook. Jill has been with the Thomas Cook Canada group for 19 years in a variety of positions, initially joining Sunquest Vacations as VP Communications and Government Affairs. During her 19 years, Jill has managed Communications, Airport Services, Destination Services, Customer Service, National Sales, Resort Management, Call Centres, Operations for the Thomas Cook Canada tour operator and wholesale companies.

Jill has also been very involved in the regulatory area in Canada, and has been active in the industry working with governments to shape legislation for many years. She currently serves on the boards of the Travel Industry Council of Ontario (TICO) and CATO, the Canadian Tour Operator Association. Jill is currently TICO chair.

Prior to working in the travel industry, Jill was a journalist and was editor of Canada's travel trade journal, Travel-week Bulletin.

Mike Foster

Mike Foster is President and owner of UNIGLOBE Instant Travel Inc. with two locations in London and a number of home-based travel professionals. Mike started with UNIGLOBE in 1982 and has over the years added a number of high profile agencies through acquisition, building one of the area's largest travel agency companies.

Mike has served a variety of roles in both ACTA Ontario and TICO for the past several years. He has also been a member of the College Advisory Committee for the Tourism and Hospitality Division of Fanshawe College in London, as well as a board member and fund-raiser for a number of charitable organizations in London, including Sunshine Foundation, Junior Achievement, the Small Business Centre and the London Health Sciences Centre.

Mike has also been involved in the submissions of proposed legislative changes by both ACTA and TICO and is focused on bringing real, substantial and positive change to the travel industry. Mike is currently the Chairman for the ACTA Ontario Council and holds a seat on the ACTA National Board of Directors.

Jeff Element, CMA, CTM

Jeff Element is a graduate of the University of Toronto with an Honours Bachelor of Arts degree in Commerce and Economics. In 1995, he obtained his profession-

al designation in management accounting from CMA Canada. Jeff celebrates his fourteenth anniversary with The Travel Corporation Group of Companies in 2009. He began his career with the company in the role of Financial Controller, with an eventual promotion to Vice President of Finance in 1998. Over time, Jeff became increasingly more involved in the other aspects of the business, including sales and marketing, operations and reservations, eventually coming to oversee several other departments, including Air Ticketing, Customer Service, Documentation and Information Technology. In 2006, he was appointed to the role of President for the Canadian operation. He is actively involved in the travel industry, having received his Certified Travel Manager designation in 2006 and being appointed to the Board of Directors for TICO in 2005 as a representative of the Canadian Association of Tour Operators.

Denise Heffron

2010, marks Denise Heffron's 17th year at Transat, Canada's largest integrated travel company. Denise holds the dual role of Vice-President Commercial, Transat Holidays / Nolitours and Vice-President, National Sales. She graduated from the University of Western Ontario with a Bachelor of Arts degree and began her career in the travel industry shortly thereafter. Denise is an active participant in the industry at large and serves on the TICO Board and as a representative of the Canadian Association of Tour Operators. She has been a member of the CATO executive for eight years and brings with her a thorough knowledge of the commercial activities of out-bound tour operation and retail distribution in Canada. In addition, Denise is a member of the TICO E-commerce, Business Strategy and Compensation Fund Committees.

Maria Mendes

Maria Mendes is the principal of Mendes Law Firm located in London, Ontario. She practices family law, real estate law, corporate law and provides estate planning. She received her B.A. from the University of Western Ontario in 1982 and obtained her LLB degree from the University of Windsor in 1985. Maria Mendes was called to the Ontario Bar in 1987. Maria has been a dedicated volunteer to many community organizations in various sectors. She has served as Board Member and Chair of various organizations such as London Police Services Board, Fanshawe College Board of Governors, London & Middlesex Housing Authority and Victoria Hospital. She presently Chairs the Committee of Adjustment

for the City of London. Maria Mendes was appointed to the TICO Board of Directors in 2009 and also serves on TICO's Compensation Fund Committee and Governance Committee.

Thanushka Nanayakkara, CTM

President and CEO of NÂRAT, Thanushka Nanayakkara, CTM, is a 3rd generation industry veteran from a family that had pioneered travel in parts of the world, and helmed world travel industry bodies including presidency of the United Federation of Travel Agents Associations (UFTAA), in addition to chairing international Tourism Boards.

His extensive travel industry experience entails managing positions within major facets of the industry, including leading retail agencies, tour wholesalers, tour operators, airline consolidators, coach transport companies and air transport companies.

Thanushka Nanayakkara holds College and University qualifications in Business and Cultural Studies, and is professionally accredited with the Canadian Institute of Travel Counsellors (CITC) as CTM.

He is a member of the Ontario Board of Directors for the Association of Canadian Travel Agencies (ACTA) and sits as its representative on the Travel Industry Council of Ontario (TICO) Board. He is a standing member of the Travel and Tourism Research Association (TTRA), represented by the Tourism Industry Association of Canada (TIAC).

A well regarded Public Speaker, his literary insights have been published in Canadian and international journals and has published the professional advice column Experience Matters for Travel Agents in the Travel Courier magazine, one of Canada's leading travel trade publications.

S. Bano Noor, C.A., C.F.P.

Ms. S. Bano Noor is the Managing Partner of Rosenthal Pervez & Noor, LLP, a CA Firm in Mississauga, Ontario and practices in the areas of financial analysis, assurance services, financial & tax planning, and risk management for a diverse portfolio of her clientele. She has worked in various capacities in regional and national accounting firms in the Greater Toronto Area for over 25 years. She has gained expertise in municipal audits, financial controls and reporting requirements to municipal councils and provincial governing bodies. Ms. Noor is a member in good standing of the Institute of Chartered Accountants of Ontario (ICAO), and is also a Certified Financial Planner (Canada), a Certified Management Accountant (US) and a Certified Public Accountant (US).

She is currently the Treasurer of the executive board of Halton Peel Chartered Accountants Association where she has recently served as the Chapter President. Ms. Noor is a ministerial appointee on the TICO Board for a term of two years and is a member of the TICO Audit Committee and the Business Strategy Committee.

Patricia Jensen

Patricia is a ministerial appointee on the TICO Board and, since December 2007 has served as Statutory Director. She sits on the Executive Council, and Compensation Fund, Education Standards and Alternate Finance Committees of the Board. Patricia is also a member of the Consumers Council of Canada, and Chair of the Consumer Advisory Council of the Technical Standards and Safety Authority. Prior to joining the TICO Board, Patricia served as consumer representative on the Bearing Point Travel Study Group examining consumer protection gaps in Ontario's Travel Industry Act. She has also represented the consumer perspective to consultations on the new Travel Industry Regulations and to the Consumer Measures Committee regarding all-in pricing in the airline industry. Patricia is Professor Emeritus, Ryerson University.

David Shaw

David caught the travel bug while working from 1979 to 1984 as a Senior Market Researcher for an international mining, metallurgical and processing equipment manufacturer. In 1984 an opportunity to purchase an agency was realized quickly followed by the purchase of a second agency in 1985. Elected President of the Huronia Independent Travel Agents Association in 1986 representing sixteen regional agencies and lead the merge with Travel T-Comm in 1988. While on the T-Comm Board and as President, oversaw growth from 66 to 234 agency members and from a regional to a national organization. As President of Travel T-Comm designed and oversaw the rebuilding of T-Comm Management structure. Was elected and served on the C-Star Board of Directors from 2002 to 2007 and to the TICO Board for a one year term in 2007, being reelected in 2008 for a further three year term. Over the past few years David has participated on the Education Standards Committee, Business Strategy, Legislative & Regulatory Review and Alternate Finance Committees in contributing to TICO's future directions. David has also been active over the years in Rotary International, Ducks Unlimited wetland conservation, municipal politics, youth education initiatives, organizing sponsoring and coaching youth sports, City of Orillia BIA, Chamber of Commerce, Orillia Jazz Festival, Georgian College's Business Advisory Board and numerous other great organizations.

James R. Savary

Dr. James Savary is Associate Professor of Economics Emeritus at York University in Toronto, where he teaches courses in money and banking, the multinational enterprise, and electronic commerce. He joined the TICO board in 2008 as a ministerial appointee. James is also Chair of the Board of Directors of the Canadian Motor Vehicle Arbitration Plan, and a member of the Board of Directors of the Ombudsman for Banking Services and Investments. He is also a member and past chair of the Stakeholder Advisory Council of the Canadian Payments Association and is an active participant in the work of the Standards Council of Canada and the Canadian Standards Association.

Scott Stewart

Scott Stewart is co-owner and President of G. Stewart Travel Services Ltd. with full service Carlson Wagonlit Travel offices in Peterborough, Barrie, Belleville and Toronto (The Beach). Their family owned and operated agencies, since 1974, hold both retail and wholesale licenses. For 22 years Scott has been very involved in the travel industry and is currently serving TICO as an OMCA representative on the Board. He sits actively on the OMCA board as well as on the Canadian Advisory Council for Carlson Wagonlit Canada. As well as his role as a Director on TICO's Board, he also serves as Chair of the Business Strategy Committee and is a member of the Executive Committee; the Audit Committee and the Legislative & Regulatory Review Committee.

Richard Vanderlubbe

President and co-founder of Tripcentral.ca, a hybrid travel agency with 24 locations and a national website. Richard started in the retail travel business in 1989 with a small agency in Hamilton. Richard has held numerous positions with industry associations including Chair of the Association of Canadian Travel Agencies (ACTA) and past Chair of the Board of Directors for the Travel Industry Council of Ontario. As well as his current role as a Director on TICO's Board, he also serves on TICO's Alternate Finance Committee, Governance Committee and the Legislative & Regulatory Review Committee.

Brett Walker

Brett Walker began with Collette Vacations in 1988 and is currently the General Manager, Canada. Brett has been involved with TICO since 2001, previously serving two consecutive terms on the TICO Board of Directors as elected at large. As well as his role as a Director on TICO's Board, he also serves on TICO's Governance Committee, Business Strategy Committee and E-Commerce Committee.

Kathleen Warren, CTM

Kathleen Warren CTM has been in the travel industry for over 34 years. She graduated from St Clair College in the Travel and Tourism programme and was employed by Meconi Travel Agency Ltd in Windsor Ontario upon graduation. Kathleen is now employed by Allison's Travel in Windsor.

Kathleen has been involved in CITC since 1979 as an area director, Ontario Executive Board member, V-P Education/Publications and is currently the Chair of the Ontario Regional Council. She sits as the CITC representative on the TICO board and is the Windsor region liaison with ACTA.

Kathleen has also worked on a part time basis at St Clair College and the Toronto School of Business in Windsor. She has coordinated the Educator's Update for CITC since 1991 and has edited and revised several of the current publications which CITC sells to the schools. Kathleen has a keen interest in the education mandate of CITC - and hopes to continue working in this portfolio.

APPENDIX III

Statutory Appointments

Patricia Jensen

Statutory Director,
Travel Industry Act, 2002

Michael Janigan

Deputy Director,
Travel Industry Act, 2002

Michael Pepper

Statutory Registrar,
Travel Industry Act, 2002

TICO Staff

President & Chief Executive Officer

Michael Pepper

Director of Operations/ Chief Financial Officer & Treasurer

Mary-Ann Harrison, C.A.

Manager, Administration & Claims

Dorian Werda

Legal Counsel & Corporate Secretary

Tracey McKiernan, LL.B.

Legal Counsel

Soussanna Karas, LL.B., LL.M.

Registration Co-ordinator

Cora Reyes

Registration Officer

Anabel Linhares
Paula Oliveira

Form 1 and Claims Co-ordinator

Lori Furlan

Complaints Officer

Barbara Wesley
Eric Neira

Compliance Officer

Rachel Palozzi
Tina Shewchuk

Client Services Representative

Jana Arthur

Financial Inspection Co-ordinator / Financial Inspector

Hans Reitknecht, C.M.A.

Inspector, Designated by the Registrar

Fred Angus, C.G.A.
Maria Descours, C.M.A.
Jack Foster, C.M.A.
Linda Gilbert, C.A.
Timothy James, C.G.A.

Provincial Offences Officer

Doug Fritz

Executive Assistant

Heather Wilkins

Administrative Assistant

Susan Janko

Human Resources Officer

Silvia Rocha

Reception

Paula Ferreira

Auditors

McGovern, Hurley, Cunningham, LLP
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Toronto, Ontario M2J 5B4





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