



## **BC Immigrant Investment Fund Ltd.**

**2008/09 – 2010/11 Service Plan**

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## MESSAGE FROM THE CHAIR AND ACCOUNTABILITY STATEMENT

To: Honourable Colin Hansen  
*Minister of Economic Development*

The BC Immigrant Investment Fund Ltd. (BCIIF) service plan provides an outline of the principal initiatives anticipated in 2008/2009 and beyond. This is the first Service Plan for BCIIF. Prior to 2008/2009, BCIIF entered into loans to fund capital projects with five entities that are within the Government Reporting Entity. In addition, we completed the evaluation of responses to our competitive request for venture capital fund managers, which we expect will lead to committing \$90 million by the end of 2008 to venture capital funds which have an interest in investing in innovative companies in British Columbia. This venture capital investment is being undertaken through a wholly owned subsidiary of the BCIIF, the B.C. Renaissance Capital Fund Ltd.

For 2008/2009 and subsequent fiscal years, BCIIF with its remaining capital pool will continue to pursue commercial lending activity with entities within the Government Reporting Entity. In addition, we will oversee the company's investments in venture capital.

The 2008/09 - 2010/11 BC Immigrant Investment Fund Ltd. Service Plan was prepared under the Board's direction in accordance with the *Budget Transparency and Accountability Act* and the BC Reporting Principles. The plan is consistent with government's strategic priorities. The Board is accountable for the contents of the Plan, including the selection of performance measures and targets.

Sincerely,



Doug Callbeck  
Chair, Board of Directors  
February 7, 2008

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## **ORGANIZATIONAL OVERVIEW**

The BC Immigrant Investment Fund Ltd. (BCIIF) was incorporated on September 19, 2000 under the laws of British Columbia and is wholly owned by the Province of British Columbia.

BCIIF is an approved fund under the Federal Immigrant Investor Program (the Program), administered by Citizenship and Immigration Canada. The Program provides an opportunity for experienced business persons to immigrate to Canada after making an investment in a fund approved by a province and the Minister of Citizenship and Immigration. The federal Minister acts as agent for approved funds by receiving investments from immigrant investors and disbursing them to approved funds according to an allocation formula set out in the Immigration Regulations, 1978. The regulations require approved funds participating in the Program, to be invested in initiatives which will create employment in Canada and develop the economy.

BCIIF receives and manages the provincial allocation of funds under the Program. The Program provides significant flexibility to the provinces in managing their allocation of Immigrant Investor Funds for investment in economic development and job creation. Provincial allocations are repayable to the federal government without interest on the fifth annual anniversary of their receipt. In order to participate in the Program, the Province has provided the federal government with a repayment guarantee of the funds of up to \$300 million.

The B.C. Renaissance Capital Fund Ltd. (BCRCF) is a wholly owned subsidiary of BCIIF and its prime activity is to maximize the economic benefits of Government's investment in research and development through leveraging investment in the province from top-tier venture capital fund managers.

### **B.C. Renaissance Capital Fund Ltd.**

The B.C. Renaissance Capital Fund Ltd. (BCRCF) will place \$90 million with top-tier venture capital fund managers focused on the Information Technology, Life Sciences, New Media and Clean Technology sectors. These investments resulted from a Request for Qualifications process directed at venture capital managers that began in the spring of 2007. The primary financial goal of the fund is to lever institutional private capital for B.C.'s most promising innovative companies.

#### **The key objectives of the BCRCF include:**

- 1 – Generating superior, risk-adjusted returns for the capital being committed by the Province through the BCRCF,
- 2 – Increasing the commercialization success rate of B.C.'s most promising and innovative companies,
- 3 – Enhancing the province as an attractive destination for investment opportunities for institutional investors.

## CORPORATE GOVERNANCE

BCIIF is governed by a Board of Directors consisting of two members. The Minister of Economic Development appoints the board members.

The Board of Directors has the following responsibilities:

- ensure appropriate controls and accountabilities are in place;
- recommend policies for investment decisions to Treasury Board;
- ensure reporting requirements are fulfilled;
- approve the annual budget;
- select and appoint the auditors.

### **BCIIF Values**

**Economic Growth Opportunities** - To invest in economic initiatives, which create employment in British Columbia, fostering the development of a strong, viable and diversified economy.

**Honesty** – The Board of Directors will act honestly, in good faith and in the best interests of BCIIF.

**Accountability** – BCIIF operates with fiscal responsibility to maximize outcomes from funds invested.

## STRATEGIC CONTEXT

**Federal Immigrant Investor Program:** The Program net receipts are anticipated to grow each year until BCIIIF's allocation stabilizes at approximately \$300 million. The funds will be targeted to provide economic development in the province.

**Investment Parameters:** BCIIIF is obligated to return funds from the Program to the federal government five years after receipt. Accordingly, BCIIIF must manage its investments to provide for needed liquidity in the future, as well as aim to maximize the placement of funds in investments to generate income while satisfying the federal investment criteria.

**Public Sector Infrastructure:** B.C. continues to invest in public sector infrastructure in order to meet the needs of a growing economy. Multi-billion dollar investments, supported by taxpayers, are needed over the next three years to build and upgrade schools, universities, colleges, hospitals, roads and bridges. BCIIIF is well positioned to participate in the financing of some of these investments.

**Venture Capital Investments:** Some of B.C.'s research institutes are world-class and produce cutting edge research. BCRCF works to support the province's investment in research by attracting venture capital and accelerating the commercialization of B.C.-based research, in the following key sectors:

- Life Sciences
- Information Technology – Including the wireless and new media sectors
- Clean technology – including the advanced energy and sustainable technology sectors

## GOALS, STRATEGIES, PERFORMANCE MEASURES AND TARGETS

|                                                                                                                                           |                     |                       |                |                |                |
|-------------------------------------------------------------------------------------------------------------------------------------------|---------------------|-----------------------|----------------|----------------|----------------|
| <b>GOAL 1: To generate returns on investments.</b>                                                                                        |                     |                       |                |                |                |
| <b>STRATEGIES</b>                                                                                                                         |                     |                       |                |                |                |
| <ul style="list-style-type: none"> <li>Continue to pursue investment in entities which are in the Government Reporting Entity.</li> </ul> |                     |                       |                |                |                |
| <b>PERFORMANCE MEASURES</b>                                                                                                               |                     |                       | <b>TARGETS</b> |                |                |
| 1. New investments made within the Government Reporting Entity                                                                            | <b>06/07 Actual</b> | <b>07/08 Forecast</b> | <b>2008/09</b> | <b>2009/10</b> | <b>2010/11</b> |
|                                                                                                                                           | -                   | \$43M                 | \$25M          | \$25M          | \$25M          |

|                                                                                                                                                                                                                                                                                               |                     |                       |                |                |                |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|-----------------------|----------------|----------------|----------------|
| <b>GOAL 2: To maximize the economic benefits from commercialization of innovation.</b>                                                                                                                                                                                                        |                     |                       |                |                |                |
| <b>STRATEGIES</b>                                                                                                                                                                                                                                                                             |                     |                       |                |                |                |
| <ul style="list-style-type: none"> <li>To continue to pursue an investment of up to \$90 million in venture capital investments</li> <li>Invest in top tier venture capital managers focused on the Information Technology, Life Sciences, New Media and Clean Technology Sectors.</li> </ul> |                     |                       |                |                |                |
| <b>PERFORMANCE MEASURES</b>                                                                                                                                                                                                                                                                   |                     |                       | <b>TARGETS</b> |                |                |
| 1. Annual venture capital fund investments made by BCRCF(1)                                                                                                                                                                                                                                   | <b>06/07 Actual</b> | <b>07/08 Forecast</b> | <b>2008/09</b> | <b>2009/10</b> | <b>2010/11</b> |
|                                                                                                                                                                                                                                                                                               | -                   | \$3M                  | \$17M          | \$25M          | \$45M          |

(1) \$90 Million will be committed by end of 2008.

## SUMMARY FINANCIAL OUTLOOK

| (\$000)                                     | 2006/07<br>Actual | 2007/08<br>(estimate) | 2008/09<br>(budget) | 2009/10<br>(forecast) | 2010/11<br>(forecast) |
|---------------------------------------------|-------------------|-----------------------|---------------------|-----------------------|-----------------------|
| <b>Total Revenue</b>                        | 6,869             | 10,000                | 10,000              | 10,500                | 10,500                |
|                                             |                   |                       |                     |                       |                       |
| <b>Total Expenses</b>                       | 2,259             | 4,000                 | 5,000               | 5,000                 | 5,000                 |
|                                             |                   |                       |                     |                       |                       |
| <b>Net income (loss)</b>                    | 4,610             | 6,000                 | 5,000               | 5,500                 | 5,500                 |
| <b>Total Debt to the federal government</b> | 167,373           | 240,000               | 300,000             | 300,000               | 300,000               |
| <b>Retained earnings</b>                    | 7,272             | 13,272                | 18,272              | 23,772                | 29,272                |
| <b>Total Capital Invested</b>               |                   |                       |                     |                       |                       |
| - Public Sector Infrastructure              | 41,000            | 86,000                | 111,000             | 136,000               | 161,000               |
| - Venture Capital                           | -                 | 3,000                 | 20,000              | 45,000                | 90,000                |
| - Money Market                              | 133,645           | 164,272               | 187,272             | 142,772               | 78,272                |
| <b>Total</b>                                | 174,645           | 253,272               | 318,272             | 323,772               | 329,272               |

## KEY ASSUMPTIONS

BCIIF's forecasts assume that the Immigrant Investment Program will continue to provide increasing monthly allocations with the fund stabilizing at approximately \$300 million in 2008/09 and cash inflow from the Program equalling cash outflows thereafter.

This Plan incorporates "forward-looking statements" including information relating to anticipated growth in revenues, growth in retained earnings, anticipated investment performance, anticipated expense levels, and the expected effects of interest rate changes.

Actual results may differ materially from those in forward-looking information as a result of various factors, some of which are beyond BCIIF's control, including but not limited to those discussed under the heading "Financial Risks".

## **FINANCIAL RISKS**

### **Termination of Federal Immigrant Investment Program**

An unanticipated termination of the Immigrant Investment Program by federal government could have a material impact on the financial condition of the BCIIF and may lead to the drawdown of at least some of the \$300 million provincial guarantee. This could arise because BCIIF makes investment commitments which exceeds the 5-year term for returning funds to the federal government. Based on discussions with the federal administrators, BCIIF believes that the likelihood of Program termination without significant advance notice is low.

### **Interest Rate Risk**

Changes in interest rates will affect the financial position of BCIIF. BCIIF manages its exposure to interest rate risk by holding a portfolio of fixed and floating rate investments. The BCIIF has invested its funds in capital projects with fixed rate obligations and invested with BC Investment Management Corporation (“bcIMC”) on a floating rate basis. Material movements in interest rates will impact revenues from the floating rate portfolio, and the return on new funds and reinvestment of capital in the future.

### **Market Risk**

Market risk is defined as the risk of changes in the value of venture capital investments. These investments are at the high end of the risk spectrum, typically in illiquid private companies. Further cash distributions from venture capital partnerships are not expected to begin until 5 years from the date of initial capital commitment. BCIIF manages this risk by conducting due diligence on prospective venture capital funds to attest to the commercial quality of its investments in this sector. In addition, BCIIF diversifies its venture capital investments across industries and jurisdictions, and limits its allocation to no more than 20 per cent of an individual venture capital fund.

The venture capital investments also pose foreign currency risk because some are denominated in US dollars.

**Credit Risk**

BCIIF is exposed to credit risk in the event of non-performance by a public sector borrower. BCIIF assesses this risk when considering loans. For the most part an unsecured and general obligation from the public sector institution, ranking pari passu to other borrowings, is judged sufficient; however, BCIIF has taken collateral on a loan to mitigate potential credit risks, i.e. in the case where the borrower had limited financial assets.

**CAPITAL PLAN AND MAJOR CAPITAL PROJECTS**

The BCIIF does not have any capital projects in excess of \$50 Million.

**SUBSIDIARY/OPERATING SEGMENT SUMMARY  
INFORMATION**

The BCIIF has one subsidiary – B.C. Renaissance Capital Fund Ltd. The purpose of the subsidiary is to invest in Venture Capital.

## **CONTACT INFORMATION**

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