

# **BC Immigrant Investment Fund Ltd.**



## **2012-13 Service Plan**



# Chairman's Message to the Minister Responsible

## **The Honourable Pat Bell, Minister of Jobs, Tourism and Innovation**

The BC Immigrant Investment Fund Ltd. (BCIIF) Service Plan provides insight into the fund's main activities anticipated in 2012/13 and beyond. Since inception of the current investment program in February 2007, the BCIIF has loaned \$358 million for development of 18 infrastructure projects by provincial public sector entities, generating over 2,250 jobs. In 2007/08, Treasury Board approved a request by BCIIF's wholly-owned subsidiary, the B.C. Renaissance Capital Fund Ltd. (BCRCF) to invest \$90 million in venture capital funds. The BCRCF has now completed three Request For Qualifications processes and selected eight venture capital fund managers with whom it has committed to invest venture capital funds in high technology businesses. Seven of the selected venture capital fund managers have now completed their fund-raising activities and are now investing and evaluating investment opportunities from British Columbia. The BCRCF is negotiating with an eighth fund manager and expects to formally commit capital in the first quarter of 2012/13.

As of January 2012, BCRCF fund managers have invested \$84.8 million in 16 B.C. companies that employ over 880 people.

For the next fiscal year, the BCIIF will continue to seek investment opportunities that support the government's BC Jobs Plan and that are aligned with the BCIIF's investment mandate, strategy and risk profile. With its remaining capital pool, BCIIF will pursue infrastructure loan opportunities with provincial public sector entities. The BCRCF will also continue to monitor the performance of its venture capital fund partnerships and promote venture capital investment opportunities in the province to institutional and corporate investors.

## **ACCOUNTABILITY STATEMENT**

The 2012/13 - 2014/15 BCIIF Service Plan was prepared under the Board's direction in accordance with the *Budget Transparency and Accountability Act* and the B.C. Reporting Principles. The plan is consistent with government's strategic priorities and Fiscal Plan. The Board is accountable for the contents of the service plan, including the selection of performance measures and targets.

All significant assumptions, policy decisions and identified risks, as of January 2012 have been considered in preparing this plan. The performance measures presented are consistent with the BCIIF's mandate and goals, and focus on aspects critical to the organization's performance. The performance targets in this plan have been determined based on an assessment of the BCIIF's operating environment, forecast conditions, risk assessment and past performance.

Sincerely,



Brian Hansen  
Chairman and President

February 20, 2012  
Victoria, British Columbia

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# Organizational Overview

BC Immigrant Investment Fund Ltd. (the “Corporation” or “BCIIF”) was incorporated on September 19, 2000 under the *Company Act of British Columbia* and is wholly owned by the Province of British Columbia (the Shareholder). The Minister of Jobs, Tourism and Innovation is designated as the shareholder’s representative.

The Corporation is an approved fund under the federal Immigrant Investor Program (the “Program”), administered by Citizenship and Immigration Canada (“CIC”). The Program provides an opportunity for experienced business persons to immigrate to Canada after depositing a prescribed sum of money with the federal Minister of Citizenship and Immigration. The federal Minister then disburses these monies to approved funds according to an allocation formula set out in the Immigration and Refugee Protection Regulations. The regulations require approved funds participating in the Program to invest in initiatives that contribute to economic development and job creation in Canada. As a matter of practice, BCIIF routinely consults with Program administrators to ensure compliance of its investments with Program parameters.

The BCIIF receives and manages British Columbia’s allocation of funds under the Program. The Program confers discretion on the provinces to manage their allocation of the Program’s immigrant investor funds (“Funds”) for investment in economic development and job creation. Provincial allocations are repayable to the federal government without interest on the fifth anniversary of their receipt. Although there is no interest charged on the Funds, there is a nominal administrative fee of between 1.0 and 1.5 percent per year. In order to participate in the Program, the Province has provided the federal government with a repayment guarantee of the Funds up to \$500 million.

In August 2007, the provincial Treasury Board approved an allocation of \$90 million from the BCIIF to the BCRCF for the purposes of pursuing investment in four key technology sectors: new media, information technology, life sciences and clean technology.

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

B.C. Renaissance Capital Fund Ltd. (the “BCRCF”) is a Crown corporation that is wholly owned by the BCIIF. It is administered by officers and staff of the BCRCF with assistance from the Ministry of Finance. The purpose of the BCRCF is to attract successful venture capital managers and their capital to British Columbia in order to develop promising, innovative technology companies in the province.

The 16 BC companies in which BCRCF’s fund managers have invested employ over 880 individuals.

The objectives of the BCRCF are to:

- Generate superior, risk-adjusted returns for the capital committed;
- Increase the probability that innovative new goods and services in British Columbia gain full-scale commercialization;
- Increase the depth of the venture capital market in British Columbia; and
- Enhance the visibility of British Columbia as an attractive market for venture capital opportunities in North America and globally.

The BCRCF invests with venture capital fund managers who have a proven track record of investing successfully in one or more of the four key technology sectors. Each venture capital firm that BCRCF invests with commits to perform certain investment-related activities in British Columbia (a “B.C. strategy”) in order to increase the probability of successful investment in the province. Some of these commitments include, for example:

- Opening and maintaining offices in British Columbia staffed by senior investment professionals;
- Forming strategic alliances with local venture capital firms;
- Hosting and attending investor forums in British Columbia to establish networks with local stakeholders; and
- Exploring investment opportunities in the province.

As of January 2012, the BCRCF has made investment commitments of \$86 million with seven fund managers through formal limited partnership agreements and side letter agreements.

The seven fund managers are:

- ARCH Venture Partners
- Kearny Venture Partners
- VantagePoint Venture Partners
- Yaletown Venture Partners
- Tandem Expansion Fund
- VanEdge Capital, and
- iNovia Capital

Collectively, venture capital fund managers affiliated with the BCRCF manage more than \$2.5 billion of venture capital that is available for investment.

The BCRCF is now completing due diligence and negotiations with an eighth fund manager, with the goal of making a formal capital commitment in the spring of 2012.

Each of the seven fund managers invests over a ten-year cycle. They deploy capital in the first five years and expect to realize returns in years six through ten. Because the funds were formed in the years between 2007 and 2011, BCRCF should experience its returns between 2012 and 2021. BCRCF staff will continue to monitor and track the underlying fund investments and the financial performance of the fund managers with the use of a specialized limited partner software program.

The BCIIIF is governed by a Board of Directors. The Minister of Jobs, Tourism and Innovation appoints the Board members. The BCIIIF works closely with the Ministry and acts with due regard to the Crown Agencies Resource Office and the Board Resourcing and Development Office's governance guidelines.

The Board of Directors has the following responsibilities:

- Ensure appropriate controls and accountabilities are in place;
- Recommend policies for investment decisions to Treasury Board;
- Approve particular investments;
- Ensure reporting requirements are fulfilled;
- Approve the annual budget; and
- Appoint the auditors.

There are two full-time equivalent employees devoted to BCIIIF management and reporting in addition to Board member commitments.

More information about the BCIIIF Board of Directors and corporate governance can be found on the BCIIIF website at: [www.bciif.ca/BCIIF/About/CorporateGovernance/Pages/Default.aspx](http://www.bciif.ca/BCIIF/About/CorporateGovernance/Pages/Default.aspx)

## **THE BCIIIF HAS THE FOLLOWING CORPORATE VALUES:**

**Integrity** – the Corporation, its Board of Directors and its subsidiary will act honestly, in good faith and in the best interests of the BCIIIF.

**Accountability** – the BCIIIF will operate with fiscal responsibility to maximize the financial returns from the funds invested.

**Economic Development** – the BCIIIF will, to the extent that it is consistent with fiscal responsibility, invest in initiatives that promote economic development and create employment in British Columbia.

## FEDERAL IMMIGRANT INVESTOR PROGRAM

Under the Program's provincial allocation formula, the BCIIIF now manages approximately \$392 million as of January 2012. As the Program's popularity continues and more immigrants participate, the total funds available (and thus BCIIIF's allocation) are expected to increase.

In 2010, CIC increased the amount that each individual immigrant investor must deposit with the Program. Each applicant is now required to deposit \$800,000 instead of \$400,000. This change will be phased in over the next several years, as the existing queue of applications is processed. The Program will process some of the new applications at the same time as the outstanding ones. In 2012, the BCIIIF will begin to receive some of the higher deposits. As a result, we expect that the funds allocated to the BCIIIF will increase significantly but gradually.

The BCIIIF is required to return funds to the federal government five years after receipt. Accordingly, the BCIIIF must manage its investments to:

1. provide for needed liquidity in the future,
2. maximize investment returns, and
3. satisfy the Program's economic development criteria.

## ECONOMIC OUTLOOK

The Economic Forecast Council is expecting the province's real GDP to grow by 2.2% in 2012 and 2.5% in 2013. Over the medium term (2014 – 2016), B.C.'s economy is expected to grow by 2.7%. Generally, the Ministry of Finance's Budget forecast is slightly more conservative than the private sector outlook. The Ministry is cognisant of the potential downside risks associated with a weaker than expected global economy. Risks to B.C.'s economic outlook include a return to recession in the US economy, the ongoing sovereign debt crisis in Europe, and a corresponding slowdown in global demand for B.C. exports. Additional risks include a fluctuating Canadian dollar and continued volatility in global financial and commodity markets.

The current infrastructure investments made by the BCIIIF in the B.C. public sector are expected to perform as planned without any impairment. However, returns associated with the venture capital industry are largely dependent on the availability of public offerings and corporate credit to fund company acquisitions. Further weakness in the U.S. economy may extend the timeframe for generating returns from the BCRCF fund manager investments (due to challenges faced by fund managers raising their portion of capital) and may delay returns generated by these investments. See Section 7 for a discussion of market risk and how it is being managed by the BCIIIF Board and its management.

### INVESTMENTS

The funds are targeted broadly for economic development and job creation in the province. More specifically, they have been directed to two distinct areas:

- I. public sector infrastructure investments; and
- II. venture capital fund investments.

#### **I. Public Sector Infrastructure Investments**

British Columbia continues to invest in public sector infrastructure in order to meet the needs of a growing economy. Multi-billion dollar investments are needed over the next three years to build and upgrade schools, universities, colleges, hospitals, roads and bridges. The BCIF has participated in the financing of the following investments.

#### **British Columbia Institute of Technology (BCIT) – Aerospace Technology Campus**



The BCIF loaned \$60 million to aid in the construction of the BCIT aerospace facility. The new Aerospace Technology Campus began full operations in September 2007.

The facility is a 285,000 square foot facility located in Richmond, B.C. containing over 40 classrooms and “smart” labs with the latest training computers, equipment and wireless technology. Programs supported by the facility include training for the maintenance, repair and overhaul of aircraft, their engines, and electronics as well as airport operations and commercial pilot training. A new and exciting program being supported by the Aerospace Campus is the Air Traffic Services Diploma program. The new state of the art facility has been attributed with attracting considerable interest from non-traditional groups such as young women to BCIT’s aerospace programs. As a result of the aerospace facility, 300 full-time jobs were created.



### UVIC – Technology Enterprise Facility (TEF)



The BCIIF loaned \$5 million to help facilitate the purchase of the TEF. The facility has generated 90 full-time jobs and accommodates major institutional research projects such as:

- **CARBC - Centre for Addictions Research B.C.**  
The project will help build research infrastructure and capacity across British Columbia to conduct research that will increase understanding and support more effective responses to substance abuse.
- **NEPTUNE Canada Research Project**  
NEPTUNE will be the first regional-scale underwater ocean observatory that plugs directly into the internet and will enable ocean scientists to run deep-water experiments from laboratories and universities anywhere around the world.
- **VENUS Research Project**  
VENUS is a cabled ocean observatory designed as an undersea laboratory for ocean researchers.

### University of the Fraser Valley – Student Residence

The BCIIF loaned \$13.9 million for the construction of a self-supporting 4-story residence building, housing up to 204 students for the Abbotsford campus. As a result of the residence, 17 full-time jobs were created.

### Nicola Valley Institute of Technology – Student Residence

The BCIIF loaned \$3.3 million to assist with the construction of two self-supporting 3-story residences, housing up to 72 students. As a result of the student residences, 39 full-time jobs were created.

### Simon Fraser University Foundation – Condominium Units

The BCIIF loaned \$5.1 million to support the purchase of Verdant Condominium Units by the Foundation. These units are designated for university faculty. As a result of the acquisition, 50 full-time jobs were created.

### Province of British Columbia – Health Care Centre and School Projects

- In 2009-10, the BCIF loaned the Province of British Columbia \$100 million who then used the money to fund a variety of capital projects including construction of a care center and two secondary schools . The funds were allocated as follows:
  - **\$39 million for the Gateway Prince George Complex Care Project of the Northern Health Authority**  
94 residential care beds, 50 assisted living units, and 31 units designed to market rental specifications. Approximately 250 full-time construction jobs were created as a result of this project.
  - **\$29 million for the replacement of the J. Lloyd Crowe Secondary School**  
825 student capacity (School District No. 20 - Kootenay-Columbia). Approximately 186 full-time construction jobs were created as a result of this project.
  - **\$32 million for the renovation / replacement of the Penticton Secondary School**  
1350 student capacity for Grades 9 to 12 (School District No. 67 – Okanagan- Skaha). Approximately 205 full-time construction jobs were created as a result of this project.
- In 2010-11, the BCIF engaged in another loan to the Province of British Columbia for \$75 million. The Province used the proceeds to fund the construction of the following secondary school projects, generating a total of 480 jobs. The funds were allocated as follows:
  - **\$24 million for the replacement of the Burnaby Central Secondary School**  
1,300 student capacity (School District No. 41 - Burnaby)
  - **\$15 million for the replacement of the Revelstoke Secondary School and new Elementary School**  
475 and 250 student capacity respectively (School District No. 19 - Revelstoke)
  - **\$13 million for the replacement of the University Hill Secondary School**  
800 student capacity (School District No. 39 - Vancouver)
  - **\$12 million for the seismic upgrade project of the Cariboo Hill Secondary School**  
1025 student capacity (School District No. 41 - Burnaby)
  - **\$11 million for the seismic upgrade of the École Jules Quesnel Elementary School**  
375 student capacity (School District No. 39 - Vancouver)



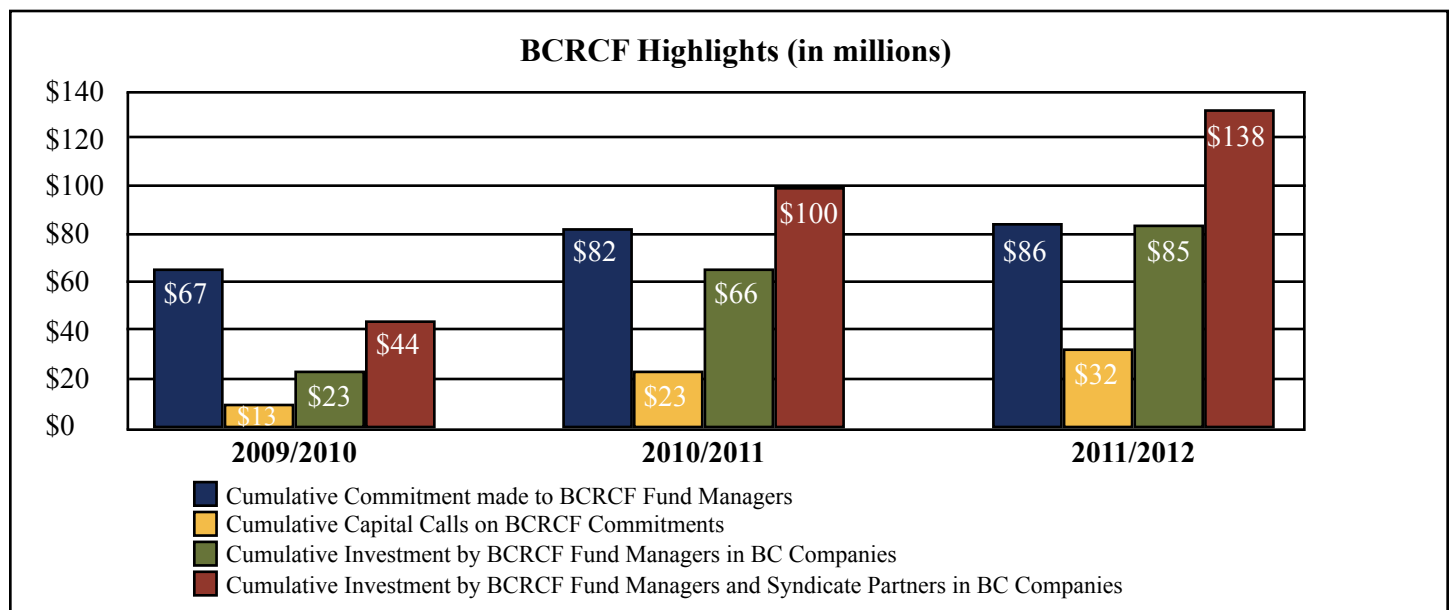
- In 2011-12, the BCIIF made loans of \$95 million to the Province of British Columbia to help fund the following projects, creating a total of 608 jobs:
  - **\$30 million for the replacement of Duchess Park Secondary School**  
900 student capacity (School District No. 57 – Prince George)
  - **\$15 million for the upgrade and partial replacement of Laura Secord Elementary School**  
705 student capacity (School District No. 39 - Vancouver)
  - **\$25 million for the new Health Sciences Centre at the University of British Columbia Okanagan Campus**  
128 student capacity – the Health Sciences Centre is a new building to house the medical program at the Okanagan Campus. The building includes classrooms, labs, and academic and administrative support spaces.
  - **\$20 million for the replacement of Alberni District Secondary School**  
1,000 student capacity (School District No. 70 – Alberni)
  - **\$5 million for Au Coeur de L'île Community School**  
300 student capacity (School District No. 93 – Francophone Education Authority)



### II. Venture Capital Investments

The BCRCF has formally committed a total of \$86 million with seven fund managers, who in turn invest the capital directly into high technology businesses. A tentative commitment to an eighth fund manager is subject to a successful capital raising process. According to the Treasury Board criteria, each fund manager must raise a minimum of \$80 million of capital from other investors before receiving any capital from the BCRCF.

Approximately \$32 million of capital calls have been drawn down by seven fund managers. To date, the BCRCF fund managers and syndicate partners have invested \$137.5 million in 16 B.C. companies, of which the BCRCF fund managers contributed \$84.8 million. These results demonstrate a leverage factor of 4.3 times the capital called to aggregate investments in B.C. companies.



The seven BCRCF fund managers specialize in one or more of the four key technology sectors: clean technology, information technology, life sciences and new media. The 16 BC companies in which BCRCF's fund managers have invested employ over 880 individuals.

Through its fund managers, the BCRCF holds investments in the following B.C. companies.



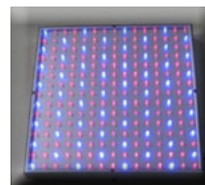
**Angstrom Power Inc.** ("Angstrom") produces a high energy density micro fuel cell for portable devices such as flashlights and cell phones. The combination of hydrogen fuel and handset scale integration makes Angstrom a technology leader in this field. VantagePoint Venture Partners has invested US \$2.6 million and leveraged an additional US \$15.6 million from syndication partners in Angstrom. This company employs 30 individuals in B.C.



**Boreal Genomics Inc.** ("Boreal") was spun out of the University of British Columbia in 2007. Boreal has developed a new way to extract DNA and RNA from small or heavily contaminated samples that could help forensic investigators and molecular biologists get to "the truth". The technology is expected to have broad applications, from basic life-science research to forensic sample analysis, bio-defence and pathogen detection for food safety and clinical diagnostics. To date, ARCH Venture Partners and Kearny Venture Partners have invested \$4.5 million in Boreal, with an additional \$2.4 million coming from other investors. Boreal employs 20 full-time equivalent employees in B.C.



**Cooledge Lighting Inc.** ("Cooledge") is a 2009 start-up firm located in Vancouver. Cooledge is working on a revolutionary approach to solid-state lighting products. Leveraging the known characteristics and cost advantages of inorganic LED technology, Cooledge plans to introduce lighting modules that deliver outstanding performance, unique light quality and control, along with previously unavailable design possibilities. To date, ARCH Venture Partners and Yaletown Venture Partners have invested \$3.9 million in Cooledge, and have attracted \$1.8 million in additional venture capital from other investors. Cooledge has 14 full-time employees in B.C.







**Delta-Q Technologies** (“Delta-Q”), headquartered in Burnaby, develops and supplies power conversion solutions to vehicle manufacturers enabling the shift away from internal combustion engines to environmentally friendly electric drive systems. Delta-Q is considered the technology benchmark in industrial AC-DC battery chargers and integrated DC-DC power converters. Delta-Q has secured \$17 million in funding from Tandem Expansion Fund for product development and overall corporate growth. Delta-Q employs 73 individuals in B.C.



**Endurance Wind Power** (“Endurance”), based in Surrey, is a manufacturer of advanced wind turbines designed specifically for distributed wind power applications. Endurance’s line of modern, induction-based wind turbines brings efficient, reliable, safe and quiet, renewable energy within reach of homeowners, farmers, businesses and institutions. Yaletown Venture Partners have invested \$3.3 million in Endurance, with an additional \$10.9 million invested by other investors. Endurance has 58 employees in B.C.



**E-One Moli Energy** (“Molicel”) is a global lithium-ion battery developer and manufacturer with a leading market position and recognized brand in laptop, computer, cordless power tool, and electric or hybrid vehicles. Molicel’s facility in Maple Ridge is the only North American high volume manufacturer of high performance, superior quality rechargeable lithium-ion cells and battery pack products. To date, VantagePoint Venture Partners have invested \$7.6 million in Molicel to advance the R&D capabilities at the B.C. site. Molicel employs 350 individuals in B.C.





**GrowLab Ventures Inc.** (“GrowLab”) is a digital media/IT incubator facility based in Vancouver. It assists entrepreneurs by leading them through an intense mentorship program that takes place in both Canada and Silicon Valley, providing start-up companies with access to resources and an international network to help grow successfully.

Yaletown Venture Partners have invested \$150,000 in GrowLab, with an additional \$1.95 million invested by other institutional and individual investors. GrowLab has 5 full-time equivalent employees in B.C.



**Indicee Inc.** (“Indicee”) is a Vancouver- based startup company that helps ordinary business users consolidate, analyze, and share business data in an online application that is simple and secure. Indicee provides a faster and easier way for businesses to create reports without the frustration of having to cut and paste into spreadsheets. Yaletown Venture Partners has invested \$2.5 million in Indicee, leveraging an additional \$5.7 million from Granite Ventures and other co-investors. Indicee has 14 full-time employees in B.C.



**LaCima Inc.** (“LaCima”) is a Vancouver-based concept stage company developing a large format prismatic ultracapitor for use in micro-hybrid electric vehicles. Other applications include integration with lithium-ion batteries in hybrid and electric vehicles to reduce their size, weight and cost, and to double their service life. LaCima has secured a \$625,000 investment from Yaletown Venture Partners and employs three people in B.C.

### Light-Based Technologies

**Light-Based Technologies** (“LBT”), based in Vancouver, was formed in 2004 to explore the unique benefits that a controlled current of LEDs could bring to the burgeoning solid-state lighting industry. Using a truly novel, linear approach, LBT offers the simplest and most effective solution for multi-phase control of LED light sources. This technology can potentially produce whatever level of resolution is required for an unlimited number of outputs. VantagePoint Venture Partners have invested \$5 million in LBT, attracting \$2.5 million from other investors and supporting the employment of 11 individuals in B.C.



**Mingleverse Laboratories Inc.** (“Mingleverse”), based in Vancouver, offers 3D meeting rooms that resemble real life meetings within the browser window. The Mingleverse Mingle Room service is a next-generation, real-time, voice, video and multimedia communication platform that allows anyone, anywhere to engage with others over the internet in a highly realistic and immersive way. Mingleverse has secured a \$630,000 investment from Yale-town Venture Partners and an additional \$920,000 from other investors. Mingleverse employs eight full-time equivalent employees in B.C.







**Nexterra Systems Corp.** (“Nexterra”) is a supplier of biomass gasification solutions that generate renewable heat and power for institutional and industrial customers. Nexterra has supplied commercial gasification systems for projects at the US Department of Energy, University of South Carolina, Dockside Green, Kruger Products, the University of Northern BC and Tolko Industries. Nexterra has strategic relationships with General Electric, Johnson Controls and Andritz Separation. Tandem Expansion Fund has invested \$10 million into Nexterra with a further \$5 million coming from other syndicate investors. Nexterra employs 70 people in B.C.

Nexterra has been ranked one of Canada’s fastest growing technology companies in the **Deloitte 2010 Technology Fast 50**. Nexterra has also been named as a member of the **2010 Deloitte Technology Green 15**, which honours companies that are leading the way in the field of green technology.



**nGRAIN (Canada) Corporation** nGRAIN (Canada) Corporation (“nGRAIN”), based in Vancouver, enables organizations to dramatically improve the effectiveness and lower the cost of equipment training and maintenance support systems through the use of highly interactive 3D simulations. Based on its breakthrough 3D graphics technology, nGRAIN products deliver unparalleled real-time 3D interactivity on common PCs. nGrain has received a \$10 million investment from Tandem Expansion Fund for the pursuit of growth opportunities in the development of equipment maintenance training solutions. nGrain employs approximately 100 individuals in B.C.





**Ostara Nutrient Recovery Technologies Inc.** (“Ostara”) is a water purification company that uses technology developed at the University of British Columbia to recycle wastewater into a commercial-grade fertilizer product called Crystal Green. VantagePoint Venture Partners led a US \$10.5 million financing of Ostara to accelerate the commercialization of the technology for municipalities and ethanol biofuel plans across North America. VantagePoint Venture Partners made a US \$9 million investment, with the balance invested by Frog Capital. Ostara has 48 full-time equivalent employees in B.C.



**Partnerpedia Solutions Inc.** (“Partnerpedia”), based in Vancouver, provides businesses with online media and social networking solutions. It provides solutions to reach new markets and channels, as well as to deliver targeted partner content and campaigns. Yaletown Venture Partners has invested approximately \$1 million in Partnerpedia and other investors have added \$1.5 million. Partnerpedia employs 50 full-time equivalent employees in B.C.



**Recon Instruments Ltd.** (“Recon”) is a Vancouver-based company that designs and sells head-mounted display products for snow-sports goggles. It was founded by four MBA and engineering students at the University of British Columbia and now has 30 full-time employees.

VanEdge Capital has invested \$7 million in Recon, with a further \$3 million invested by other syndicate partners. Recon has 30 full-time employees in B.C.

## Summary of Investments and Full-Time Equivalent (FTE) Employees

Portfolio Company	BCRCF Fund Manager Investment (\$M)	Additional Venture Capital Attracted (\$M)	FTEs
Angstrom Power Inc.	\$2.6	\$15.6	30
Boreal Genomics Inc.	4.5	2.4	20
CoolEdge Lighting, Inc.	3.9	1.8	14
Delta-Q Technologies Corp.	17.0	-	73
Endurance Wind Power	3.3	10.9	58
E-One Moli Energy Corp.	7.6	-	350
GrowLab Ventures Inc.	0.2	2.0	5
Indicee Inc.	2.5	5.7	14
LaCima Inc.	0.6	-	3
Light-Based Technologies	5.0	2.5	11
Mingleverse Laboratories Inc.	0.6	0.9	8
Nexterra Systems Corp.	10.0	5.0	70
NGRAIN (Canada) Corporation	10.0	-	100
Ostara Nutrient Recovery Technologies Inc.	9.0	1.5	48
Partnerpedia Solutions Inc.	1.0	1.5	50
Recon Instruments	7.0	3.0	30
<b>Total</b>	<b>\$84.8</b>	<b>\$52.7</b>	<b>884</b>

# Goals, Strategies, Performance

## Measures and Targets

### *Goal 1: To generate commercial returns on investments*

BCIIF's investment portfolio is comprised of public infrastructure loans, venture capital fund investments and money market instruments.

### STRATEGIES

- Invest in public infrastructure.
- Invest with venture capital fund managers with a track record of success.

### Public Infrastructure Loans and Money Market Investments Portfolio

Performance Measures	Actuals (\$ millions)			Targets (\$ millions)		
	09/10	10/11	11/12	12/13	13/14	14/15
1. New investments made within public infrastructure	\$100	\$75	\$95	\$0	\$120	\$60
2. Cumulative investments made within public infrastructure <sup>1</sup>	\$188	\$263	\$358	\$358	\$478	\$538

### RATIONALE

BCIIF's fixed income portfolio is comprised of: (1) long-term loans to entities in the provincial public sector, which yield returns equal to the Province's cost of funds; and (2) short term, money market investments to provide required liquidity for retiring revolving, 5-year immigrant investor loans from the federal government and meet cash calls on the \$90 million of commitments to the venture capital fund managers.

It is not possible to measure the performance against established industry indices because the portfolio management is limited by several non-market constraints including inability to own or trade into other fixed income instruments or invest in terms too much longer than 5 years, and the requirement to keep substantial reserves in low-yielding money market securities. Further, BCIIF must wait to find suitable public sector loan opportunities, all of which adds low-yielding money market returns to the portfolio. BCIIF does risk-manage its fixed income portfolio to enhance returns by extending loans longer than 5 years.

1. This represents the actual amount of loans provided for the public sector infrastructure projects and not the outstanding loan balance, as these loans amortize annually.

Performance Measures	Actuals (\$ millions)			Targets (\$ millions)		
	09/10	10/11	11/12	12/13	13/14	14/15
1. Cumulative commitment made to BCRCF Fund Managers	\$67	\$82	\$86	\$90	\$90	\$90

### RATIONALE

The BCRCF has extended formal commitments for \$86 million of its mandated \$90 million to seven venture capital fund managers. As of January 2012, it is negotiating with an eighth fund manager to commit the remainder of its allocated capital.

Venture capital investments are subject to the “J-curve effect”, where funds deliver negative returns in early years and investment gains in the outlying years as the portfolio companies mature. Historically, the returns rise above the starting point after three to five years of investment activities. However, the recent tightening of credit markets will make it harder to exit investment companies, likely resulting in a flatter J-curve and a longer timeline to the realization of positive returns.

As the BCRCF venture capital funds are young and the portfolio company investments are private and illiquid, it is premature to report returns at this time. The BCRCF is building metrics to gauge the risk-adjusted returns for the capital commitments by 2013/14 with regard to the age of the respective funds and the returns posted by other comparable funds.

**Goal 2:** *To stimulate economic development through the commercialization of innovation and venture capital investment in high technology in British Columbia.*

### STRATEGIES

- Invest up to \$90 million with venture capital fund managers with a track record of success.
- Leverage BCRCF's venture capital investments to attract new investment in British Columbia companies focused in the Information Technology, Life Sciences, New Media and Clean Technology sectors.

Performance Measures	Actuals (\$ millions)			Targets (\$ millions)		
	09/10	10/11	11/12	12/13	13/14	14/15
1. Cumulative capital call on BCRCF's commitments to Fund Managers	\$13	\$24	\$32	\$55	\$65	\$75
2. Cumulative Investment by BCRCF Fund Managers in BC Companies	\$23	\$66	\$85	\$110	\$130	\$150
3. Cumulative Investment by BCRCF Fund Managers and Syndicate Partners in BC Companies	\$44	\$100	\$138	\$193	\$228	\$263

### RATIONALE

Objectives of the venture capital component include:

1. Increase the probability that innovative new goods and services gain full-scale commercialization.

To date, the BCRCF fund managers and syndicate partners have invested \$137.5 million in 16 BC companies, which employ over 880 individuals in the four key technology sectors.

2. Increase the depth and visibility of British Columbia as an attractive market for venture capital opportunities in North America and globally.

The BCRCF believes that great BC companies were being overlooked by domestic and foreign investors due to a lack of visibility. Access to domestic and foreign capital with a global business reach and sophisticated management is critical for generating new opportunities for commercialization and growth for new BC companies. To provide that visibility and access to new venture capital, the BCRCF strives to increase domestic and international ties through its fund managers who have networks which extend around the world, and full discretion to invest in any jurisdiction to generate the best commercial results. Initially, the BCRCF faced the risk that an amount equal to the BCRCF's capital commitment would not be invested in BC companies. However, the \$137.5 million invested into 16 BC companies to date has validated the BCRCF strategy. The investments in British Columbia by BCRCF fund managers cannot be taken for granted, however the BCRCF is confident that the selected fund managers and their syndicate partners will continue to invest in British Columbia by a leverage factor of 3.5 to 4 times the capital commitment. To increase the probability of successful investment in BC companies, the BCRCF fund managers have entered side letter agreements under which they commit to perform certain investment activities in British Columbia. Further, the company participates in strategic marketing initiatives to bring emerging BC companies to the attention of domestic and international venture capital investors.

# Government Letter of Expectations

Through the 2012/13 Government Letter of Expectations, the Shareholder provided direction to the BCIF consistent with the general direction to Crown corporations regarding the roles and responsibilities of the Minister of Jobs, Tourism and Innovation as the Shareholder's Representative and the Board Chair of the BCIF as the Fund representative. In addition, the Shareholder directed the BCIF to take the following specific actions:

- BCIF will monitor and report on its capital commitments of up to \$90 million in venture capital investments;
- BCIF will invest available funds in Government's Reporting Entity to finance provincially-approved capital projects that also qualify under the applicable federal regulations;
- BCIF will use British Columbia Investment Management Corporation for investment of funds in liquid investments, other than amounts allocated to venture capital and Government Reporting Entity investments;
- BCIF will, in consultation with the Ministry, Crown Agencies Resource Office and Board Resourcing and Development Office, refine its governance and Board structure; and
- BCIF will explore opportunities to invest its capital in ways that meet its core objectives and support the Government's economic and jobs strategy.

# Summary Financial Outlook<sup>1</sup>

<i>(in \$000)</i>	<b>Actual</b>	<b>Estimate</b>		<b>Forecast</b>		
Fiscal Year	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
<b>REVENUE</b>						
Investment Income	1,272	464	661	623	700	707
	1,272	464	661	623	700	707
Interest Income						
BCIT	2,836	2,098	1,430	1,381	1,331	1,279
UCFV	673	656	639	620	600	580
UVIC - TEF	211	203	194	184	175	164
NVIT	154	152	149	146	142	
SFU	131	88	75	61	47	31
Province (\$100m)	3,497	2,975	2,663	2,340	2,006	1,661
Province (\$75m)	407	2,257	2,047	1,830	1,606	1,375
Province (\$45m)	0	710	873	205	0	0
Province (\$50m)	0	535	1,038	997	954	910
New Loan (est. \$120m)	0	0	0	1,936	3,931	3,792
New Loan (est. \$60m)	0	0	0	0	1,224	2,377
	7,909	9,674	9,108	9,700	12,016	12,308
<b>TOTAL REVENUE</b>	<b>9,181</b>	<b>10,138</b>	<b>9,769</b>	<b>10,323</b>	<b>12,716</b>	<b>13,015</b>
<b>EXPENSES</b>						
Corporate and Project Finance Fee <sup>2</sup>	140	140	140	140	140	140
BCIIF / BCRCF Fund Administration Fee <sup>3</sup>	293	236	236	236	236	236
BCIIF Marketing	-	7	7	7	7	7
BCRCF Marketing <sup>4</sup>	23	60	60	60	60	60
BCIMC Management Fee	64	41	54	49	52	55
Subtotal Administrative Expenses	520	484	497	492	495	498
Amortization of Discount	4,612	5,148	4,880	4,910	5,193	5,164
<b>TOTAL EXPENSES</b>	<b>5,132</b>	<b>5,632</b>	<b>5,377</b>	<b>5,402</b>	<b>5,688</b>	<b>5,662</b>
<b>INCOME FROM OPERATIONS</b>	<b>4,049</b>	<b>4,506</b>	<b>4,392</b>	<b>4,921</b>	<b>7,028</b>	<b>7,353</b>
RETAINED EARNINGS, end of year	27,357	31,863	36,255	41,176	48,204	55,556
Debt to Canada, end of year <sup>5</sup>	361,200	399,847	395,279	474,809	490,417	490,200

1. The above financial information, including forecast information, was prepared based on current Canadian Generally Accepted Accounting Principles (GAAP).
2. The Corporate and Project Finance Fee covers costs for placing, documenting and administering public sector loans.
3. Fund administration fees for the BCIIF and BCRCF cover portfolio administration, investment monitoring, professional fees, and capital call management.
4. BCRCF Marketing Fees are used to expose BCRCF venture capital fund managers to investment opportunities from British Columbia in the targeted sectors.
5. The BCIIF receives monthly allocations from the federal government. The debt is supported by a Provincial guarantee. For details, see the "Organizational Overview" on page 1.

## KEY FINANCIAL ASSUMPTIONS

The BCIIF forecast assumes that the federal Program will begin to provide monthly allocations at increased levels this fiscal year as has been indicated by the Program administrators at the CIC. The BCIIF will receive larger allocations as a result of the increased immigrant investor deposit amount.

This Service 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 the BCIIF's control, including but not limited to those discussed under the heading "Financial Risks".



# Financial Risks

## Termination of Federal Immigrant Investor Program

An unanticipated termination of the federal Program by the federal government could have a material impact on the financial condition of the BCIIIF and could lead to the drawdown of at least some of the \$500 million provincial guarantee. This could arise because the amount which BCIIIF invests is made with an expectation of future receipts from the federal government to fund upcoming and known obligations for returning funds to Ottawa. Based on discussions with the federal administrators, the BCIIIF believes that the likelihood of Program termination without significant notice is extremely low.

## Interest Rate Risk

Interest rate risk means that changes in interest rates may affect the financial position of the BCIIIF. BCIIIF manages its exposure to interest rate risk by holding a portfolio of fixed and floating rate investments. BCIIIF has invested its funds in capital projects with fixed rate obligations and investments with B.C. 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 re-investment of capital in the future.

The current economic slowdown has resulted in central banks lowering administered interest rates which in turn have significantly reduced interest income from short term investments. A low interest rate environment may continue well into 2012/13 and would impact BCIIIF investment returns with BCIMC.

## Market Risk

Market risk is 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 more than five years after the date of initial capital commitment, i.e. not before 2013 or 2014 at the earliest. Note that during this past year the BCRCF did receive two cash distributions from its earliest investment in Vantage Point Venture Partners.

The BCRCF has managed this risk by conducting due diligence, with the assistance of an independent financial advisor, on each of the prospective venture capital fund managers. The purpose of the due diligence was to confirm that each of the fund managers has a demonstrated track record of successful investing in high technology businesses in the four key sectors. Furthermore, BCRCF diversifies its venture capital investments across industries and geographic regions and limits its allocation to no more than 20% of any given individual venture capital fund.

The venture capital investments also pose foreign currency risk because some of the selected funds are denominated in U.S. dollars. BCIIIF mitigated this currency risk by purchasing U.S. dollars in 2007 at an exchange rate of approximately one-to-one (Canadian dollar at par with U.S. dollar).

### **Credit Risk**

The 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 a public sector institution in the Government Reporting Entity, ranking pari passu to other borrowings, is judged sufficient. However, BCIIF has taken collateral on a loan to mitigate against potential credit risks – i.e. in the case where the borrower has limited financial assets. The BCIIF management will follow prudent due diligence practices to ensure that loan investments being evaluated pose minimal credit risk, and, as required, are backed with adequate security.

### **Budget Information**

The budget information and forecasts provided herein are fully consistent with the government's fiscal plan and overall strategic priorities.

## Capital Plan and Major Capital Projects

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

## Subsidiary or Operating Segment Summary Information

As described above, the BCIIF has one subsidiary, the B.C. Renaissance Capital Fund Ltd. The purpose of the subsidiary is to invest in venture capital.

## Contact Information

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

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