



**BC Immigrant Investment Fund Ltd.**

**2013-14**

**Revised Service  
Plan**

# Chairman's Message to the Minister Responsible

## **The Honourable Teresa Wat, Minister of International Trade and Minister Responsible for the Asia Pacific Strategy and Multiculturalism**

This is the Revised Service Plan for BC Immigrant Investment Fund Ltd. (BCIIF), updated from the Plan that was issued in February 2013.

The BCIIF Service Plan provides insight into the fund's main activities anticipated in 2013/14 and beyond. Since inception of the current investment program in February 2007, the BCIIF has loaned \$403 million for development of 21 infrastructure projects by provincial public sector entities, generating over 2,500 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. All eight venture capital fund managers have completed their fund-raising activities and are now investing and evaluating investment opportunities from British Columbia.

From the BCRCF's inception in late 2007 through January 2013, BCRCF fund managers and their syndicate partners have invested \$178 million in 20 B.C. companies, supporting the employment of more than 960 individuals. The current BCRCF portfolio consists of 17 active B.C. companies that collectively employ over 670 people.

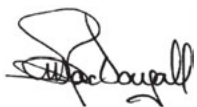
For the next fiscal year, the BCIIF will continue to seek investment opportunities that support the government's BC Jobs Plan and that are aligned with the BCIIF's investment mandate, strategy and risk profile. With its remaining capital pool, BCIIF will pursue infrastructure loan opportunities with 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 2013/14 - 2015/16 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.

To the best of our knowledge the significant assumptions, policy decisions, events and identified risks are current and 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,



Gordon MacDougall  
Chairman

June 2013  
Victoria, British Columbia

# Table of Contents

<b>1</b>	<b>Organizational Overview</b>	<b>1</b>
<b>2</b>	<b>Corporate Governance</b>	<b>3</b>
<b>3</b>	<b>Strategic Context</b>	<b>5</b>
<b>4</b>	<b>Goals, Strategies, Performance Measures and Targets</b>	<b>21</b>
<b>5</b>	<b>Government Letter of Expectations</b>	<b>23</b>
<b>6</b>	<b>Summary Financial Outlook</b>	<b>24</b>
<b>7</b>	<b>Financial Risks</b>	<b>26</b>
<b>8</b>	<b>Capital Plan and Major Capital Projects</b>	<b>27</b>
<b>9</b>	<b>Subsidiary or Operating Segment Summary Information</b>	<b>28</b>
<b>10</b>	<b>Contact Information</b>	<b>28</b>

# 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 International Trade 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.

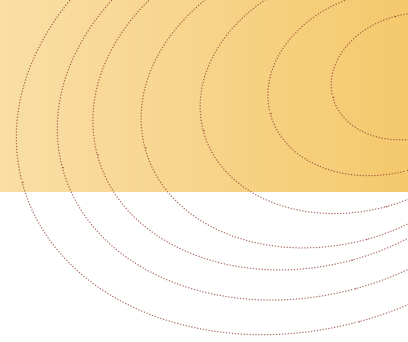
The BCIIF receives and manages British Columbia’s allocation of funds under the Program. The Program confers discretion on the provinces to manage their allocation of the Program’s immigrant investor funds (“Funds”) for investment in economic development and job creation. Provincial allocations are repayable 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 fee of between 1.0 and 1.5 per cent 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: digital 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 to develop promising, innovative technology companies in the province.

From the BCRCF’s inception in late 2007 through January 2013, BCRCF fund managers and their syndicate partners have invested \$178 million in 20 B.C. companies, supporting the employment of more than 960 individuals. The current BCRCF portfolio consists of 17 active B.C. companies that collectively employ over 670 people.



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 2013, the BCRCF has made investment commitments of \$90 million with eight fund managers through formal limited partnership agreements and side letter agreements.

The eight fund managers are:

- ARCH Venture Partners
- Azure Capital
- iNOVIA Capital
- Kearny Venture Partners
- Tandem Expansion
- Vanedge Capital
- VantagePoint Venture Partners
- Yaletown Venture Partners

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

Each of the eight fund managers invests over a ten-year cycle. Generally, 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 2012, BCRCF should realize returns between 2012 and 2022. Early and modest returns have started to flow with \$1.89 million distributed to BCRCF this fiscal year from the sales of fund portfolio companies, resulting in a gain of \$1.44 million. BCRCF staff will continue to monitor and track the underlying fund investments and the financial performance of the fund managers.

# Corporate Governance

## **BOARD OF DIRECTORS**

The BCIF is governed by a Board of Directors consisting of six members. The Minister of International Trade appoints the Board members. The BCIF 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.

The Directors of the BCIF and the BCRCF are:

1. Gordon MacDougall (Chair)
2. Douglas Beaton
3. Valli Chettiar
4. Bob Gautama
5. Dean Mason
6. Robert Wilson

Jim Hopkins, Assistant Deputy Minister, Ministry of Finance, serves as a special advisor to the Board of Directors.

## **MANAGEMENT**

Shauna Turner is the acting CEO of the BCIF and the BCRCF.

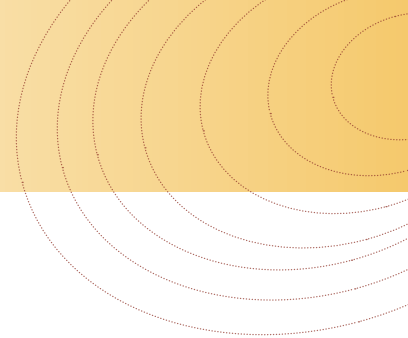
The Officers of the BCIF and the BCRCF are:

1. Terry Gelinas, Comptroller
2. Jeff Lindsay, Senior Portfolio Manager
3. Shauna Turner, Acting CEO

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

More information about corporate governance can be found on the BCIF website at:

<http://www.bciif.ca/bciif/about/governance.html>



**THE BCIF 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 BCIF.

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

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

# Strategic Context

## **FEDERAL IMMIGRANT INVESTOR PROGRAM**

Under the Program's provincial allocation formula, the BCIIIF manages \$403 million as of January 2013. As the Program's popularity continues and more immigrants participate at higher deposit levels, 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.

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**

Since *Budget 2012*, the Economic Forecast Council has lowered its outlook for British Columbia in both 2012 and 2013. The Council now pegs B.C.'s annual real GDP growth at 2.1 per cent in 2012 and 2.2 per cent in 2013, lower than its *Budget 2012* projections of 2.2 per cent in 2012 and 2.5 per cent in 2013.

In the first *Quarterly Report*, the Ministry of Finance forecast B.C.'s real GDP to grow by 2.0 per cent in 2012 and 1.8 per cent in 2013. These projections remain prudent relative to the recent Economic Forecast Council outlook for B.C. in 2012 and 2013.

Downside risks to B.C.'s economic outlook include a return to recession in the US economy, slowing Asian demand and the ongoing sovereign debt crisis in Europe. 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 economy, particularly in North America, may extend the timeframe for generating returns from the BCRCF fund manager investments 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:

1. public sector infrastructure investments; and
2. 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 BCIIIF 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 BCIIIF 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

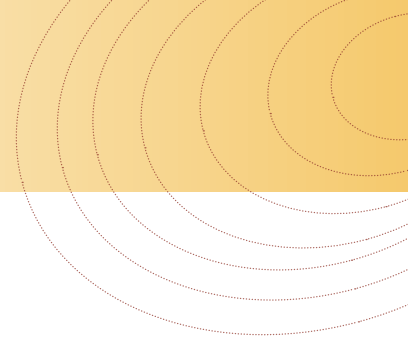
The BCIIIF loaned \$3.3 million to assist with the construction of two self-supporting 3-story residences, housing up to 72 students. As a result of the student residences, 39 full-time jobs were created.

### Simon Fraser University Foundation – Condominium Units

The BCIIIF 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 BCIIIF 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 complex care facility 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)



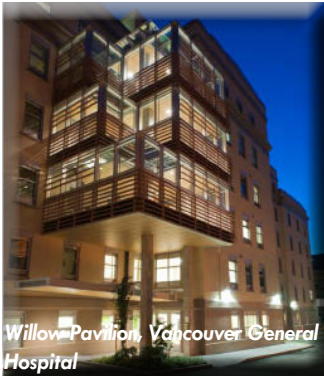
In 2011-12, the BCIF made loans of \$95 million to the Province of British Columbia to help fund the following projects, creating a total of 608 jobs:

- **\$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)

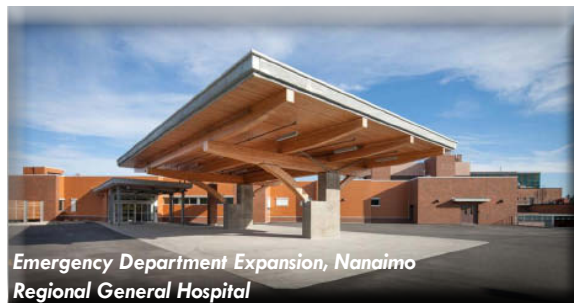


In 2012-13, the BCIF made a loan of \$45 million to the Province of British Columbia to help fund the following projects, creating a total of 288 jobs.

- **\$23 million for the redevelopment of the Willow Pavilion at the Vancouver General Hospital**  
The renovation of a six-storey building to accommodate a 79-bed acute mental health facility.

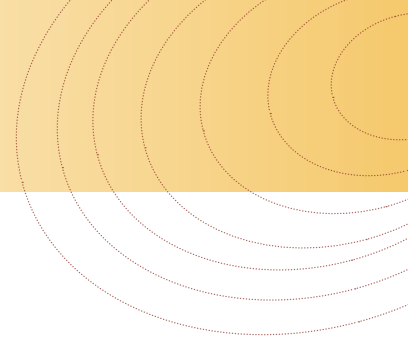


- **\$10 million for the Nanaimo Regional Hospital Emergency Department Expansion**  
The replacement and expansion of the emergency department from 963 square metres to 2,300 square metres.



- **\$12 million for the redevelopment of the Timber Creek Tertiary Facility in Surrey**  
The construction of a new 59-bed acute mental health facility for adults with serious, complex and persistent mental illness.

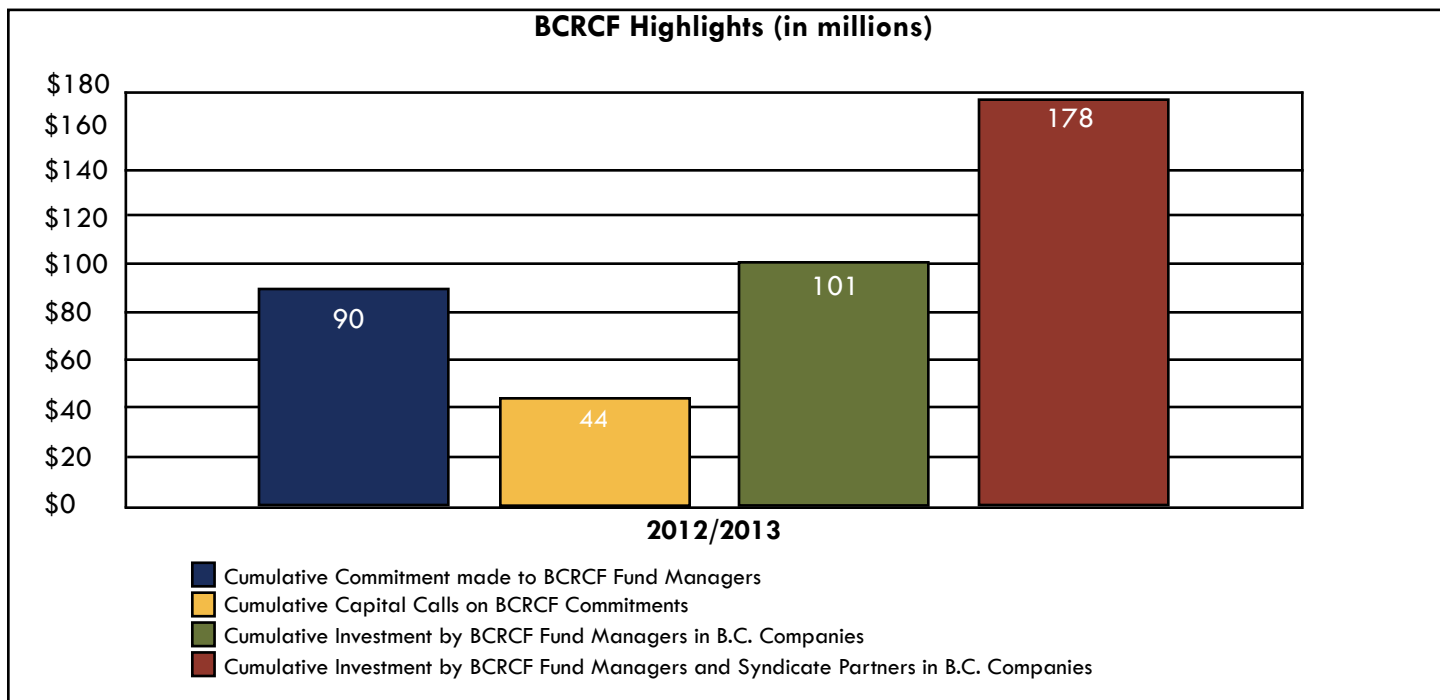




## II. Venture Capital Investments

The BCRCF has formally committed a total of \$90 million with eight fund managers, who in turn invest the capital directly into high technology businesses. 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 \$44 million of capital calls have been drawn from the BCRCF by the fund managers as of year-end. The BCRCF fund managers in turn invested \$101 million in 20 B.C. companies, of which 17 continue to operate active businesses. Syndicate partners invested a further \$77 million in these companies, for a total of \$178 million. These results demonstrate a leverage factor of four times the BCRCF contribution of \$44 million.



The eight BCRCF fund managers specialize in one or more of the four key technology sectors: clean technology, information technology, life sciences and digital media.

Since inception, BCRCF fund managers and their syndicate partners have invested \$178 million into 20 B.C.-based companies, supporting the equivalent of more than 960 full-time employees. The BCRCF's current portfolio of 17 B.C. companies employ over 670 individuals. Through its fund managers, the BCRCF holds investments in the following active B.C. companies.



Vancouver, BC

ARCH and Kearny Investment to Date: \$4.5 million	Additional Venture Capital Attracted: \$2.4 million	Full-time Equivalents: 38
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**Boreal Genomics Inc.** was spun out of the University of British Columbia in 2007, with an exclusive license to a broad patent portfolio on the novel Synchronous Coefficient of Drag Alteration (SCODA) technology. Boreal develops innovative technologies that enable genetic analysis of the most challenging samples in life science research and clinical diagnostics.



Vancouver, BC

ARCH and Yaletown Investment to Date: \$7.8 million	Additional Venture Capital Attracted: \$5.4 million	Full-time Equivalents: 28
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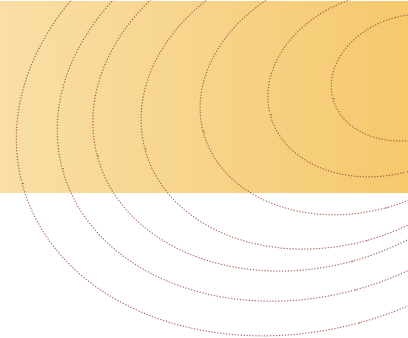
**Coolidge Lighting Inc.** aims to replace conventional fluorescent fixtures used for broad area lighting in commercial buildings with solid state lighting technology to allow flexible and broad space designs with tunable colour.



Burnaby, BC

Tandem Investment to Date: \$17.0 million	Additional Venture Capital Attracted: \$0 million	Full-time Equivalents: 71
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**Delta-Q Technologies Corp.** supplies electric drive and hybrid vehicle manufacturers with power conversion and power management products, including battery chargers and converters.



Surrey, BC

Yaletown Investment to Date: \$5.7 million	Additional Venture Capital Attracted: \$15.6 million	Full-time Equivalents : 111
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**Endurance Wind Power** manufactures advanced small wind turbines from five to 50kW in size, designed specifically for distributed wind power applications.



Maple Ridge, BC

VantagePoint Investment to Date: \$7.6 million	Additional Venture Capital Attracted: \$0 million	Full-time Equivalents: 65
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**E-One Moli Energy Corp.** is located in Maple Ridge. It is a world-class lithium ion battery R&D facility, designing and manufacturing high performance, superior quality rechargeable lithium-ion cells and battery pack products.

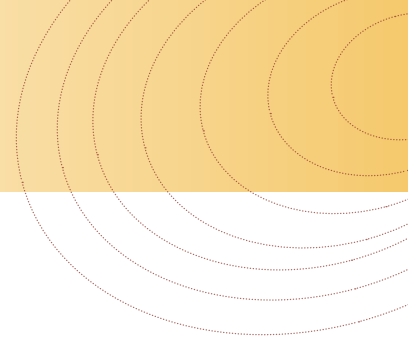


Vancouver, BC

Yaletown Investment to Date: \$0.1 million	Additional Venture Capital Attracted: \$0.4 million	Full-time Equivalents: 6
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**Foodee Media Inc.** is an online marketplace for take-out and delivery food.





Vancouver, BC

Yaletown Investment to Date: \$0.2 million	Additional Venture Capital Attracted: \$2 million	Full-time Equivalents: 5
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**GrowLab Ventures Inc.** is a startup accelerator that helps entrepreneurs build great companies through seed funding, mentorship, collaborative workspace and 4 months of intensive programming.



Vancouver, BC

Yaletown Investment to Date: \$2.8 million	Additional Venture Capital Attracted: \$6.2 million	Full-time Equivalents: 20
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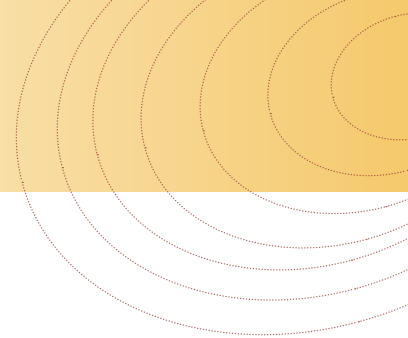
**Indicee Inc.'s** technology enables ordinary business users to consolidate, analyze and share their business data through a web-based software-as-a-service platform that is both simple and secure.



Vancouver, BC

VantagePoint Investment to Date: \$5.0 million	Additional Venture Capital Attracted: \$2.5 million	Full-time Equivalents: 16
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**Light-Based Technologies** supplies proprietary control and power electronics for solid state lighting that lowers barriers to adoption, accelerates design iterations and provides functionality improvements within today's products.



Vancouver, BC

Tandem Investment to Date: \$10.0 million	Additional Venture Capital Attracted: \$5.0 million	Full-time Equivalents: 60
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**Nexterra Systems Corp.** provides plant-scale, energy-from-renewable-waste systems that generate energy and fuels for a range of industrial customers.



Vancouver, BC

Tandem Investment to Date: \$10.0 million	Additional Venture Capital Attracted: \$0 million	Full-time Equivalents: 64
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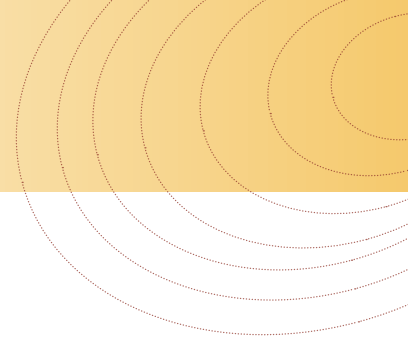
**NGRAIN (Canada) Corporation** creates interactive 3D simulation technology, software, and solutions that provide true-to-life, virtual hands-on experience for technical training and operational support.



Vancouver, BC

VantagePoint Investment to Date: \$13.2 million	Additional Venture Capital Attracted: \$11.8 million	Full-time Equivalents: 34
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**Ostara Nutrient Recovery Technologies Inc.** designs, builds and markets a proprietary nutrient recovery technology that transforms phosphorus and nitrogen recovered from municipal and industrial water treatment facilities into a high-value, eco-friendly fertilizer.



Vancouver, BC

Yaletown Investment to Date: \$2.5 million	Additional Venture Capital Attracted: \$2.6 million	Full-time Equivalents: 61
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**Partnerpedia Solutions Inc.** develops Mobile Application Management software. Their “Enterprise AppZone” product enables corporate IT managers to manage the distribution of mobile apps and content for their corporations’ employees while giving employees the selection and installation experience of consumer-style app stores.



Vancouver, BC

Vanedge Investment to Date: \$8.3 million	Additional Venture Capital Attracted: \$4.0 million	Full-time Equivalents: 44
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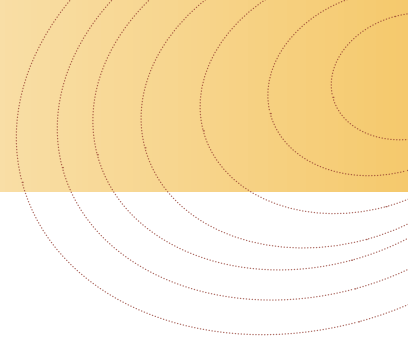
**Recon Instruments Ltd.’s** technology platform integrates a heads-up display with a state-of-the-art micro-computer to deliver instant access to navigation, communication, and performance-based information.



Vancouver, BC

Yaletown Investment to Date: \$0.8 million	Additional Venture Capital Attracted: \$1.6 million	Full-time Equivalents: 8
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**Solegear Bioplastics Inc.** engineers, produces and distributes high-performance bioplastic made from rapidly renewable resources.



Vancouver, BC

Yaletown Investment to Date: \$0.1 million	Additional Venture Capital Attracted: \$0.3 million	Full-time Equivalents: 3
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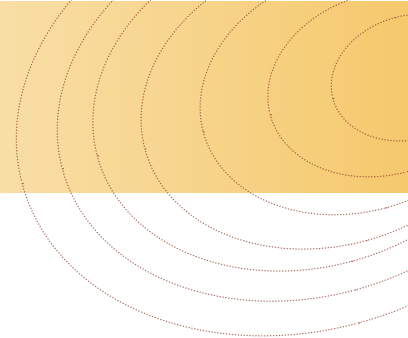
**Wantering** provides a personalized online “shopper” for online apparel and accessories.



Vancouver, BC

Vanedge Investment to Date: \$1.8 million	Additional Venture Capital Attracted: \$1.2 million	Full-time Equivalents: 38
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**Wurldtech Security Inc.** designs and develops cyber-risk and security compliance solutions for industrial automation industries.


**Summary of Current\* B.C. Investments and Full-Time Equivalent (FTE) Employees**

Active Portfolio Company	BCRCF Fund Manager Investment (\$M)	Additional Venture Capital Attracted (\$M)	FTEs
Boreal Genomics Inc.	\$4.5	\$2.4	38
CoolEdge Lighting, Inc.	\$7.8	\$5.4	28
Delta-Q Technologies Corp.	\$17.0	\$0.0	71
Endurance Wind Power	\$5.7	\$15.6	111
E-One Moli Energy Corp.	\$7.6	\$0.0	65
Foodee Media Inc.	\$0.1	\$0.4	6
GrowLab Ventures Inc.	\$0.2	\$2.0	5
Indicee Inc.	\$2.8	\$6.2	20
Light-Based Technologies	\$5.0	\$2.5	16
Nexterra Systems Corp.	\$10.0	\$5.0	60
NGRAIN (Canada) Corporation	\$10.0	\$0.0	64
Ostara Nutrient Recovery Technologies Inc.	\$13.2	\$11.8	34
Partnerpedia Solutions Inc.	\$2.5	\$2.6	61
Recon Instruments	\$8.3	\$4.0	44
Solegear Bioplastics Inc.	\$0.8	\$1.6	8
Wantering	\$0.1	\$0.3	3
Wurldtech Security Inc.	\$1.8	\$1.2	38
<b>Total</b>	<b>\$97.2</b>	<b>\$60.9</b>	<b>672</b>

\*Excluded investments in B.C. companies which have ceased operations or have been divested from the BCRCF portfolio.

# Goals, Strategies, Performance Measures and Targets

The following performance measures have been approved by the BCIF Board of Directors. As the organization's activities expand and evolve, the Board may choose to adopt other performance measures that it considers appropriate.

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

BCIF'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)		Estimates (\$ millions)	Targets (\$ millions)		
	10/11	11/12	12/13	13/14	14/15	15/16
1. New investments made within public infrastructure	\$75	\$95	\$45	\$40	\$55	\$0
2. Cumulative investments made within public infrastructure <sup>1</sup>	\$263	\$358	\$403	\$443	\$498	\$498

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.

2. Target loans based on a five-year term, equal payments, at rates comparable with five-year B.C. bonds

In 2012/13, the BCIF made one loan totalling \$45 million to the Province of British Columbia which, as noted above, helped to finance the redevelopment and construction of three health care facilities in Vancouver, Nanaimo and Surrey.

### **RATIONALE**

BCIF'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 five-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 of the portfolio 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 longer than five years, and the requirement to keep substantial reserves in low-yielding money market securities. Further, BCIF must wait to find suitable public sector loan opportunities, all of which adds low-yielding money market returns to the portfolio.

The BCIF's fixed income portfolio returns are calculated based on the BCIF's high-quality investments in public infrastructure, at yields commensurate with the risk of the Province of British Columbia. The column titled "Effective Yield (excluding cash on hand)," refers to the BCIF's portfolio returns excluding the impact of the short term money market holdings. The column titled "Effective Yield (including cash on hand)" refers to the BCIF's portfolio returns including the impact of short-term rates on the overall portfolio.

Performance Measures	Effective Yield (excluding cash on hand)				
	Actuals	Estimates	Targets		
	11/12	12/13	13/14	14/15	15/16
1. BCIF Portfolio return	3.72%	2.59%	2.64%	2.63%	2.67%
2. Rolling Government of Canada 7yr Benchmark	2.83%	2.33%	N/A	N/A	N/A
3. Portfolio return over Benchmark	0.89%	0.26%	N/A	N/A	N/A

Performance Measures	Effective Yield (including cash on hand)				
	Actuals	Estimates	Targets		
	11/12	12/13	13/14	14/15	15/16
1. BCIF Portfolio return	3.46%	2.71%	2.72%	2.75%	2.65%
2. Rolling Government of Canada 7yr Benchmark	2.83%	2.33%	N/A	N/A	N/A
3. Portfolio return over Benchmark	0.63%	0.38%	N/A	N/A	N/A

- BCIF portfolio return is annual equivalent return calculated on a time-weighted average basis over a five-year period.
- A portfolio of 7 year Government of Canada (“GoC”) par bonds over a rolling five year period is used to construct the benchmark.
- For benchmarking purposes the use of a rolling GoC 7 yr bond portfolio with duration of approximately five years is appropriate because it reflects BCIF’s obligation to repay funds to the federal IIP program and is the “riskless” GoC rate for money of this duration.
- The BCIF’s Portfolio has outperformed its market-based benchmark under both scenarios, including and excluding the impact of money market securities held for liquidity purposes.

### Venture Capital Investments

The BCRCF has extended formal commitments for its mandated \$90 million to eight venture capital fund managers.

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 has made it harder to exit investment companies, resulting in a flatter than expected J-curve and a longer timeline to the realization of positive returns.

As the BCRCF venture capital funds are still young and the portfolio company investments are private and illiquid, it is premature to report returns at this time. In 2013/14, the BCRCF will build metrics to assess the performance of its venture capital investments based on 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, and Digital Media and Clean Technology sectors.

Performance Measures	Actuals (\$ millions)		Estimates (\$ millions)	Targets (\$ millions)		
	10/11	11/12	12/13	13/14	14/15	15/16
1. Cumulative capital call on BCRCF’s commitments to Fund managers	\$25	\$35	\$47	\$60	\$72	\$80
2. Cumulative Investment by BCRCF Fund Managers in BC Companies	\$76	\$87	\$101	\$120	\$144	\$160
3. Cumulative Investment by BCRCF Fund Managers and Syndicate Partners in BC Companies	\$115	\$141	\$178	\$210	\$251	\$280



### 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 \$178 million in 20 BC companies, supporting the employment of more than 960 individuals since inception. The current BCRCF portfolio consists of 17 active B.C. companies which employ over 670 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 B.C. 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 B.C. 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 might not be invested in B.C. companies. However, the \$178 million invested into 20 B.C. companies to date have 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 B.C. companies, the BCRCF fund managers have entered into side letter agreements with the BCRCF under which they commit to perform certain investment activities in British Columbia. Further, the company participates in strategic marketing initiatives to bring emerging B.C. companies to the attention of domestic and international venture capital investors.

# Government Letter of Expectations

Through the 2013/14 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 International Trade 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:

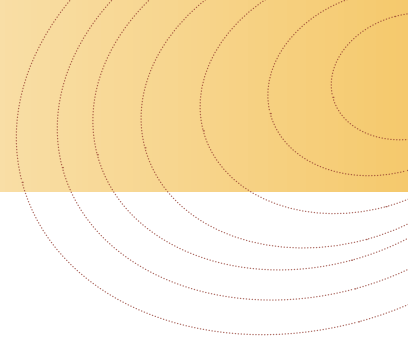
- BCIF will monitor and report on its capital commitments of up to \$90 million in venture capital investments;
- BCIF will invest available funds in Government's Reporting Entity to finance provincially-approved capital projects that also qualify under the applicable federal regulations;
- BCIF will 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; 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>

## BC IMMIGRANT INVESTMENT FUND LTD.

### Consolidated Income, Comprehensive Income and Retained Earnings

<i>(in \$000)</i>	Actual	Preliminary Actuals			Forecast	
Fiscal Year	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
<b>REVENUE</b>						
Investment Income	1,142	1,984	497	533	352	453
Interest Income						
BCIT_1 (\$60m)	1,365	0	0	0	0	0
BCIT_2 (\$54.6m)	733	1,429	1,376	1,326	1,274	1,221
UCFV	656	636	606	586	565	543
UVIC - TEF	203	192	184	175	164	153
NVIT	152	143	143	140	136	133
SFU	88	74	61	46	31	15
Province (\$100m)	2,975	2,650	2,330	1,997	1,653	1,297
Province (\$75m)	2,257	2,034	1,604	1,405	1,201	991
Province_1 (\$45m)	710	849	203	0	0	0
Province (\$50m)	552	985	994	951	908	864
Province_2 (\$45m)	0	607	925	832	738	641
New Loan_1 (\$40m)		0	290	493	376	258
New Loan_2 (\$55m)		0	0	399	678	518
Bank Interest		12				
Subtotal Interest Income	9,691	9,611	8,716	8,351	7,725	6,632
<b>TOTAL REVENUE</b>	<b>10,833</b>	<b>11,595</b>	<b>9,213</b>	<b>8,884</b>	<b>8,076</b>	<b>7,085</b>
<b>EXPENSES</b>						
Corporate and Project Finance Fee <sup>2</sup>	140	140	140	140	140	140
BCIIF / BCRCF Fund Administration <sup>3</sup>	336	561	475	475	475	475
BCIIF / BCRCF Marketing <sup>4</sup>	22	52	58	58	58	58
BCIMC Management Fee	43	49	65	65	65	65
Subtotal Administrative Expenses	541	802	738	738	738	738
Amortization of Discount	5,197	5,437	4,840	5,209	5,256	4,587
<b>TOTAL EXPENSES</b>	<b>5,738</b>	<b>6,239</b>	<b>5,578</b>	<b>5,947</b>	<b>5,994</b>	<b>5,325</b>
Other Income (unrealized gain/loss), fx, on held-for-trading investments	(67)	296				
<b>INCOME FROM OPERATIONS</b>	<b>5,028</b>	<b>5,652</b>	<b>3,635</b>	<b>2,937</b>	<b>2,083</b>	<b>1,760</b>
RETAINED EARNINGS, beginning of year	27,357	32,385	38,037	41,672	44,609	46,691
<b>RETAINED EARNINGS, end of year</b>	<b>32,385</b>	<b>38,037</b>	<b>41,672</b>	<b>44,609</b>	<b>46,691</b>	<b>48,451</b>
Debt to Canada, end of year <sup>5</sup>	398,179	362,904	393,889	397,382	346,821	323,081



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 for the BCIF 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 BCIF 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 BCIF forecast assumes that the federal Program will continue to provide monthly allocations based on 1,000 cases per fiscal year. Actual levels will depend on several factors including IIP program administration, immigration policies, and inflows of IIP qualified immigrants.

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 BCIF’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 or restructuring 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 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 2013/14 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. Significant, 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.

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 per cent 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 BCIF is exposed to credit risk in the event of non-performance by a public sector borrower. BCIF 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, BCIF 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 BCIF management will follow prudent due diligence practices to ensure that loan investments pose minimal credit risk, and, as required, are backed with adequate security.

### **Budget Information**

The budget information provided herein is fully consistent with the Ministry of Finance's Resource Summary, and the forecast is fully consistent with the Government's Fiscal Plan.

# Capital Plan and Major Capital Projects

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

# Subsidiary or Operating Segment Summary Information

As described above, the BCIIIF 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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