



BC Immigrant Investment Fund

SERVICE PLAN

2014/15 – 2016/17



Message from the Board Chair to the Minister Responsible



On behalf of the Board of Directors and staff at the BC Immigrant Investment Fund, I am pleased to submit BCIF's Service Plan for fiscal years 2014/15 – 2016/17.

BCIF is a Crown corporation responsible for managing BC's allocation of funds under the federal Immigrant Investor Program ("IIP"). These funds are managed for investment in economic development and job creation and to repay the federal government.

Our Plan

There are five key risks and opportunities shaping the future of the BCIF: anticipated changes to the federal IIP program which is BCIF's source of capital, interest rate risk, market risk, and credit risk. Five key strategies will strengthen BCIF's ability to achieve its mission and strategic goals in the context of Government's economic and jobs strategy. BCIF remains committed to manage risks in a manner that provides needed future liquidity, maximizes investment returns, and satisfies the federal IIP's economic development criteria.

Service Plan goals and targets have been adjusted to reflect an ongoing transition. Planned activities for 2014/15 align with the following three goals:

- Generate commercial returns on investments while meeting the requirements of the federal IIP;
- Optimize BCIF's investment strategy and operations to support the achievement of BC's economic and job creation priorities; and
- Attract investment and venture capital to BC.

Accountability Statement

The 2014/15 - 2016/17 BCIF service plan was prepared under the Board's direction in accordance with the *Budget Transparency and Accountability Act* and the BC Reporting Principles. The plan is consistent with government's strategic priorities and fiscal plan. The Board is accountable for the contents of the plan, including what has been included in the plan and how it has been reported.

The performance measures presented are consistent with BCIF's mandate and goals, and focus on aspects critical to the organization's performance. The targets in this plan have been determined based on an assessment of BCIF's operating environment, forecast conditions, risk assessment and past performance.

A handwritten signature in black ink, appearing to read "Gordon MacDougall". The signature is stylized and cursive.

Gordon MacDougall
Board Chair

February 2014
Vancouver, British Columbia

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Organizational Overview



The 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.

Pursuant to the Government’s Letter of Expectations (“GLE”), the Board Chair and the Corporation’s Chief Executive Officer communicate regularly with the Minister of International Trade and Minister Responsible for the Asia Pacific Strategy and Multiculturalism or with a representative of the Ministry, to report on implementation of the GLE.

BCIIF is approved for funding under the federal Immigrant Investor Program (“IIP”), administered by Citizenship and Immigration Canada (“CIC”). The regulations require approved funds participating in the federal IIP to invest in initiatives that contribute to economic development and job creation in Canada. As a matter of practice, BCIIF routinely consults with the federal IIP administrators to ensure compliance of its investments with the Program’s parameters.

BCIIF receives and manages BC’s allocation of funds under the federal IIP. The federal IIP confers discretion on the provinces to manage their allocation of the federal IIP’s immigrant investor 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 that is paid to cover federal government administration. In order to participate in the federal IIP, the Province has provided the federal government with a repayment guarantee of the funds up to \$500 million.

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

- provide for needed liquidity in the future;
- maximize investment returns; and
- satisfy the federal IIP’s economic development criteria.

The Province’s repayment guarantee adds to government’s taxpayer-supported debt, which is offset by the amount by which BCIIF loans to government and public sector agencies (i.e. Government Reporting Entity). Government seeks to minimize its debt to maintain an affordable debt burden and protect its AAA credit rating.

Mission and Values

Mission: *Economic Development* – BCIF will, to the extent that it is consistent with fiscal responsibility, invest in initiatives that promote economic development and create employment in BC in accordance with Government’s economic and jobs strategy.

Values: *Integrity* – the Corporation, its Board, and its subsidiary will act honestly, in good faith and in the best interests of the Province of British Columbia.

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

Organizational Structure

In accordance with a Treasury Board Directive, Government appointed an independent Board of Directors in 2012 to comply with Crown Agency standard governance practices. As part of the new governance and board structure, BCIF transitioned its operations, appointing its first Chief Executive Officer and staff.

The organization’s investment portfolio is structured into three asset classes: Money Market and Central Depository Investments; Infrastructure Investments; and Venture Capital Investments. All investments are targeted to support economic development and job creation in the province.





Money Market and Central Depository Investments

Both Money Market and Central Depository Investments provide BCIIIF with the liquidity required to repay the federal IIP on scheduled repayment terms and honour its obligations to make committed but not-yet-called Venture Capital Investments with selected funds.

Money Market Investments is an investment pool managed by the British Columbia Investment Management Corporation (“bcIMC”) and comprised of short-term, low risk, and high quality government and corporate debt securities. Funds are also invested in Government’s Central Deposit Program (“CDP”), which uses

the short-term monies, primarily, for financing the Consolidated Revenue Fund and provides competitive returns to BCIIIF. Investment in the CDP is a new activity to the BCIIIF, anticipated to largely replace Money Market Investments. The CDP provides the benefit of monies remaining available to the BCIIIF for the purpose of liquidity and future investments. Monies in the CDP optimize deployment of cash in the Government Reporting Entity by providing government with an internal short-term source of capital at a competitive rate which minimizes taxpayer-supported debt.

Infrastructure Investments

To date, BCIF Infrastructure Investments have focused primarily on provincial public sector infrastructure loans at the government's cost of borrowing. Approved projects, such as the UVic Technology Enterprise Facility and BCIT Aerospace Technology Campus, have benefitted from the BCIF's investments. These investments support reduction of provincial taxpayer-supported debt and help meet the federal IIP repayment schedule.

With the global downturn and resulting lower interest rates, returns to BCIF are much lower. This development, combined with uncertainty of the outcome of an announced review of the federal IIP and potential for changes in cash flowing to BCIF, has introduced additional risk to the portfolio's ability to meet its IIP repayments.

To rebalance the portfolio risk, BCIF has undertaken a strategic review of its investment portfolio and recommendations are under development to explore new opportunities for investing that are aligned with BCIF's risk profile and current market conditions. As a result of the review process, public sector infrastructure loan investing does not appear in BCIF's 2014/15 plan. Central



University of Victoria – Technology Enterprise Facility (TEF)



British Columbia Institute of Technology – Aerospace Technology Campus

Depository investing has been introduced as an alternative and provides many of the same benefits to the province while mitigating portfolio risk to the BCIF.



Venture Capital Investments

A \$90 million commitment was made to Venture Capital Investments through the B.C. Renaissance Capital Fund (“BCRCF”), a subsidiary of the BCIIIF. The province’s objectives in venture capital investing include strengthening the local venture capital industry, attracting new institutional investors capable of financing the growth of anchor companies and generating superior, risk-adjusted returns for the capital committed.

Venture capital is important to facilitate the commercialization of BC’s research and innovation investments in knowledge-based industries. This, in turn, promotes job creation and economic diversification of BC’s resource economy and builds on BC’s existing success in generating early stage opportunities.

BCIIIF has committed capital with eight venture capital fund managers, through BCRCF. The target technology sectors are: information technology;

life sciences; clean technology; and digital media. BCRCF complements the Province’s early-stage tax credit programs by providing follow-on financing to commercialize innovative products and services and support corporate growth for businesses that are suited to venture capital investment. As of September 30, 2013, the BCRCF fund managers and their syndicate partners have invested \$236 million in 28 BC companies, leveraging over 4 dollars in additional capital for every dollar of capital contribution from the BCRCF. The current BCRCF portfolio consists of 24 active BC companies that collectively employ nearly 860 people. Venture capital provides a unique source of net new jobs within the province. In addition to capital, the BCRCF fund managers provide the international global connections required to build globally competitive companies and take them into international markets.



Coolidge Lighting Inc.



Coolidge Lighting Inc.

Principal Partners, Clients and Stakeholders

ORGANIZATION	RELATIONSHIP
Government	
Government of British Columbia	Sole shareholder
Ministry of International Trade	Ministry responsible for BCIIIF
Citizenship and Immigration Canada, Government of Canada	Disburses funds under the federal Immigrant Investor Program to provinces
Non-Government	
Venture capital fund managers: <ul style="list-style-type: none"> • ARCH Venture Partners • Azure Capital • iNovia Capital • Kearny Venture Partners • Tandem Expansion • Vanedge Capital • VantagePoint Capital Partners • Yaletown Venture Partners 	Funds that have received a capital commitment from BCRCF totalling \$90 million
Approved SUCH (School Districts, Universities, Colleges and Health Organizations) Sector projects	Infrastructure loan recipients



BCIIF's Board of Directors provides leadership and direction to the organization in a manner consistent with directives set out by the Province of BC. The Board consists of 6 members, all independently appointed by the Minister of International Trade and Minister Responsible for Asia Pacific Strategy and Multiculturalism under the guidelines of the Board Resourcing and Development Office.

Mandate and priorities are communicated through Government's annual GLE. This letter serves as the basis of agreement between the Government and BCIIF, including the high-level

performance expectations, public policy issues and strategic priorities. The GLE can be found on the BCIIF website at www.bciif.ca.

The BCIIF complies with the disclosure requirements of the Best Practice Guidelines on Governance and Disclosure published by the Board Resourcing and Development Office. The disclosures include terms of reference for the Board and its Committees, the Chair and the CEO. Director biographies, and remuneration are also disclosed. This information can be found at: www.bciif.ca.

Principles

Key governance principles of BCIIF include:

- Directors are independent of both government and BCIIF management;
- Terms of reference clearly define Chair, Director and Committee responsibilities;
- Oversight of management is meaningful;
- Board and employees follow a rigorous code of conduct;
- Governance improves continuously through professional development of Directors and annual Board assessments; and
- Governance practices are transparent.

Directors

Gordon MacDougall (Chair)

Douglas Beaton

Valli Chettiar

Bob Gautama

Dean Mason

Robert Wilson

Advisor to the Board

Jim Hopkins

Board Committees

The Board Committees address issues on behalf of the Board of Directors and report back to the Board of Directors on a regular basis.

Finance and Audit Committee

Chair: Dean Mason

Members: Douglas Beaton and Robert Wilson

Assists the Board of Directors in fulfilling its obligations and oversight responsibilities relating to financial planning, the audit process, financial reporting, the system of corporate controls, and risk management, and when required, makes recommendations to the full Board of Directors for approval.

Governance Committee

Chair: Valli Chettiar

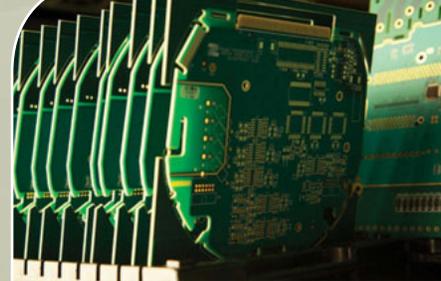
Members: Bob Gautama and Gordon MacDougall

Assists the Board of Directors in fulfilling its obligations and oversight responsibilities relating to corporate governance and human resources, including staff structure, succession planning, annual review processes, human resource policies and codes of conduct.

Management Team

BCIIF operations are supported by an executive management team:

- Shauna Turner, A/CEO
- Terry Gelinias, Comptroller
- Lina Duong-Aihara, Director of Policy and Investments



Key Risks and Opportunities

Federal Immigrant Investor Program (IIP)

An unanticipated termination or restructuring of the federal IIP by the federal government may have a material impact on the financial condition of the BCIIIF. Effective July 1, 2012, CIC suspended acceptance of new applications to the federal IIP. This suspension is in effect until further notice due to the high demand of applications received by the federal IIP and the need to address application backlogs. The suspension has not affected provincial receipts from the federal IIP, or BCIIIF operations. In the October 16, 2013 Throne Speech, the Government of Canada announced its intention to reform the IIP. The federal government has not provided further information on the nature, scope or timing of these changes.

Unanticipated termination or material changes to the federal IIP could result in the need to use a portion of the \$500 million provincial guarantee to finance repayment to the IIP. BCIIIF continues to rebalance the investment portfolio to address these risks and ensure sufficient liquidity to meet the 5-year federal repayment obligation.

Interest Rate Risk

Changes in interest rates may affect the financial position of the BCIIIF, potentially resulting in lower returns on investments. BCIIIF manages its exposure to interest rate risk by holding a portfolio of fixed and floating rate investments.

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 2014/15 and would impact BCIIIF floating rate investment returns and new fixed rate investments. External forecasts anticipate rises in mid to long term interest rates as the economy in the developed world shows signs of sustained growth. Short-term interest rates are expected to remain relatively stable.

Market Risk

Market risk for the BCIIIF occurs due to changes in the value of Venture Capital Investments. Venture Capital Investments are at the high end of the risk spectrum, with capital invested in illiquid private companies over a term of six to ten years. BCIIIF's Venture Capital Investments also pose foreign currency risk because some of the selected funds are denominated in U.S. dollars.

During the selection process for venture capital fund managers, due diligence was supported by retaining the services of independent financial advisors. The independence introduced to the selection process helped to manage the market and investment risk of the portfolio in the selection of General Partners for the portfolio. Due diligence confirmed that fund managers selected have a demonstrated track record of successful investment in high technology businesses in the four key sectors that are the focus of the BCIIIF.

Key Risks and Opportunities, *continued*

Additional Venture Capital Investment risk reduction strategies include industry and geographic diversification and limiting its allocation to no more than 20% of any given individual venture capital fund. Currency risk is mitigated by the purchase of U.S. dollars in 2007 at an exchange rate of approximately one-to-one (Canadian dollar at par with U.S. dollar).

With the introduction of an independent Board of Directors and dedicated management, the BCIF has introduced new performance tracking and reporting measures. The implementation of these measures increases the transparency of fund performance and allows BCIF to develop and implement appropriate risk mitigation strategies for the overall investment portfolio to offset higher risk Venture Capital Investments.

Credit Risk

BCIF is exposed to credit risk in the event of non-performance by a public sector borrower. BCIF assesses this risk when considering infrastructure loans. To date, loans have typically been unsecured and structured with a general obligation from a public sector institution in the Government Reporting Entity, ranking equivalent to other borrowings.

In some cases, BCIF has taken collateral on a loan to mitigate potential credit risks (e.g. in the case where the borrower has limited financial assets). BCIF management works in collaboration with the Ministry of Finance to follow prudent



Solegear Bioplastics Inc.

due diligence practices and ensure loan investments pose minimal credit risk, and, as required, are backed with adequate security.

New Opportunities

A key strategic consideration for the BCIF is sustainability of the Corporation. Within the federal 5 year repayment constraints on BCIF's source of capital, there is a significant opportunity to create a portfolio of investments that supports BC's economic priorities. This can provide returns that grow to a level where the BCIF would no longer need to rely on federal IIP funding.

BCIF's 2013/2014 GLE directed that the organization explore new opportunities for investment and returns. BCIF will continue to explore and develop proposals for Government's consideration in order to address the interest rate risk and support Government's economic and jobs growth objectives. BCIF will aim to identify these opportunities with due regard to debt affordability for Government.

Goals, Strategies, Measures and Targets



BCIIF's 2014/15 Service Plan reflects an organization in transition. An independent Board of Directors and dedicated executive have provided new capacity to the organization,

including the ability to increase compliance practices and focus on a fulsome approach to implementing the GLE direction.

Changes to Goals, Strategies and Measures

The goals, strategies and measures have been adjusted to reflect the ongoing transition of the BCIIF. Explanations regarding the changes to the 2014/15 – 2016/17 Service Plan have been provided below.

- In prior year Service Plans, both the amounts of new infrastructure loans and the value of cumulative infrastructure loan investments were included in projections. BCIIF has not published a commitment for new public sector infrastructure loans in the current plan. This change has been made to reflect a transitional year for BCIIF to explore opportunities to rebalance its current portfolio and assess risks and opportunities.
- Prior year benchmarks for short-term and infrastructure loan returns used a rolling Government of Canada 7-year bond yield. The current plan has replaced this benchmark with a Government of Canada 5-year bond yield to match the duration of BCIIF's obligation to repay funds to the federal IIP.

- Goal #2 is new to the BCIIF and appears for the first time in this Service Plan. This goal has been introduced to reflect changes to the BCIIF, including the transition to independent, transparent and cost effective operations. Baseline numbers will be established at the end of the first full year of independent operations and future targets will reflect industry best practices for publicly owned institutional investment organizations with similar investment and operational requirements.

Goal 1:

Generate Returns that Meet or Exceed BCIIIF's Current Investment Strategy

Commercial returns on low-risk investments will provide liquidity for retiring the 5-year immigrant investor loans from the Government of Canada and mitigate the high-risk \$90 million venture capital portfolio. BCIIIF's current infrastructure portfolio is comprised of long-term loan investments to the Provincial Treasury, which provides loan financing to entities in the provincial public sector. Loan investments earn yields that are equivalent to the government's cost of borrowing. Infrastructure loan investments have historically been targeted to supporting approved public sector infrastructure projects. The 2014/2015 GLE allows BCIIIF to substitute Money Market Investments through bclMC with CDP investments. In accordance with the direction provided in the GLE, BCIIIF will explore new opportunities for investment that meet the requirements of BCIIIF's mandate and Government's economic priorities, and generate commercial returns, while addressing key risks and opportunities.

Strategies

- Develop investment strategies and proposals that support Government's economic and jobs strategy, meet BCIIIF's risk profile and achieve commercial returns to the BCIIIF while sustaining an investment strategy which is affordable for the Province's fiscal plan.

Performance Targets

PERFORMANCE MEASURE	2012/13 ACTUAL	2013/14 FORECAST	TARGET		
			2014/15	2015/16	2016/17
1. 5 Year Weighted Average BCIIIF Portfolio Return *	2.54%	2.46%	2.38%	2.40%	2.38%
2. 1 Year Weighted Average BCIIIF Portfolio Return *	2.33%	2.03%	1.79%	1.88%	2.18%

* Both the 1 and 5 year weighted average BCIIIF portfolio return include Money Market (bclMC and CDP) and Infrastructure investments. For clarity, this calculation does not include Venture Capital investments.

Performance Measure 1.1: Achieve targeted average yields on new investments.

Benchmark

BCIIIF will use a portfolio of 5 year Government of Canada par bonds over a rolling five year period to construct a 1 year and 5 year performance benchmark. Further the benchmark will assume that \$20 million will be invested in Money Market instruments for liquidity purposes. This benchmark reflects BCIIIF's historical investment strategy and performance as well as its preferred investment term, which is aligned with its 5-year obligation to repay funds to the federal IIP.



Goal 2: Optimize BCIF's Investment Strategy and Operations

Building on the work completed in 2013/2014, BCIF will continue to improve operations and reporting and formalize its accountabilities with the introduction of a Performance and Accountability Framework ("Framework"). The framework will be aligned with BCIF's strategic direction and a means for formalizing a clear set of accountability mechanisms and performance expectations around a set of BCIF outputs, outcomes and impacts. The development of the Framework will help to identify gaps in information being collected, provide options for filling these gaps, and drive improvements in service delivery. The Framework will contribute towards the achievement of corporate objectives, through improved transparency and performance assessment. To ensure financial sustainability, BCIF is focused on efficiency and effectiveness throughout its operations. The expense ratio is a key measure of operational cost efficiency. The expense ratio will be calculated following the first full year of operation.

Strategies

- Develop a formal Performance and Accountability Framework
- Structure cost effective operations that meet strategic, business and governance requirements

Performance Targets

PERFORMANCE MEASURE	2012/13 ACTUAL	2013/14 FORECAST	TARGET		
			2014/15	2015/16	2016/17
1. Develop and adopt Performance and Accountability Framework	n/a	n/a	Develop Framework	Submit proposal to Board for approval	Implement Framework
2. Expense ratio	n/a	n/a	Establish baseline	Maintain or improve over baseline	Maintain or improve over baseline

Goal 2:

Optimize BCIIF's Investment Strategy and Operations, *continued*

Performance Measure 2.1: Develop and adopt Performance and Accountability Framework.

Benchmark

BCIIF is currently engaged in research to identify best practices in organizational structure, risk management and performance measures through its relationships with other global institutional investors and research networks. Appropriate best practices that meet BCIIF's operational and performance requirements will be adopted and adapted to suit the needs of the organization and used to support the development of the Framework. Performance benchmarks will be determined with the completion of the Framework.

Performance Measure 2.2: Expense ratio.

Benchmark

The expense ratio is the ratio of total expenses to total assets, derived from the Corporation's audited consolidated financial statements. The metric will be compared to the management fee charged by publicly owned institutional investment organizations, which have similar investment and operational requirements.



Goal 3: Attract Investment and Venture Capital to BC

The B.C. Renaissance Capital Fund, which is structured as a ‘fund of funds’, is unique in its approach to attracting world-class venture capital investors. Access to capital with a global reach and experienced executive management is critical to foster commercialization and growth for BC companies. To increase the visibility of BC as an attractive market for venture capital opportunities, BCRCF strives to increase domestic and international ties through its fund managers. These fund managers have networks that extend around the world. To increase the probability of investments in BC companies, the BCRCF fund managers have entered into side letter agreements with BCRCF, under which they commit to perform investment activities in BC.

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.

Strategies

- Develop key relationships and networks that support BC’s \$90 million venture capital commitment and encourage investment in BC companies.
- Leverage BCRCF’s venture capital investments to attract new investment in BC companies focused in the information technology, life sciences, clean technology and digital media sectors.

Performance Targets

PERFORMANCE MEASURE	2012/13 ACTUAL	2013/14 FORECAST	TARGET		
			2014/15	2015/16	2016/17
1. Cumulative capital call on BCRCF’s commitments to fund managers	\$47 million	\$61 million	\$68 million	\$80 million	\$84 million
2. Cumulative investment by BCRCF fund managers in BC companies	\$104 million	\$122 million	\$136 million	\$160 million	\$168 million
3. Cumulative investment by BCRCF fund managers and syndicate partners in BC companies	\$196 million	\$236 million	\$238 million	\$280 million	\$294 million

Goal 3:

Attract Investment and Venture Capital to BC, *continued*

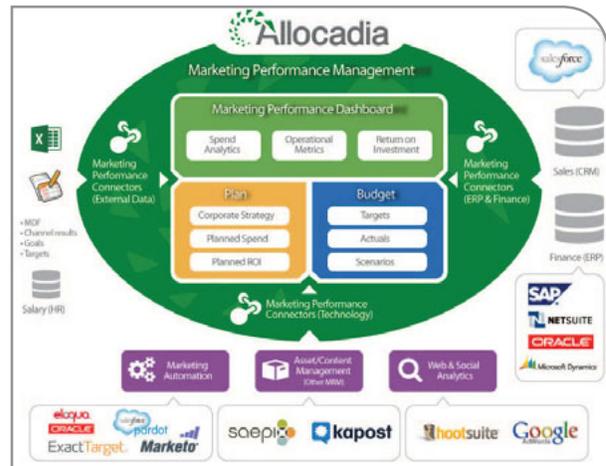
Benchmark

BCIIF will use the historical leverage factor of 2.0 times and 3.5 times the capital called to BC investments for performance measures 3.2 and 3.3 respectively.

As the BCRCF venture capital funds are still young and the portfolio company investments are privately held and illiquid, it is premature to report returns at this time. In 2014/15, the BCRCF will build metrics to assess the performance of its venture capital investments in keeping with best industry practice.



Allocadia Software Inc.



Allocadia Software Inc.



Performance Measures

Performance Measures Framework

BCIIF's performance measures framework follows the *Budget Transparency and Accountability Act* requirements for performance measures, benchmarks and targets linked to specific goals, objectives and strategies. The framework also reflects BCIIF's dual mandate to earn commercial returns and promote economic development, as well as keep the Province's debt burden affordable. The framework provides broad goals, aligns specific corporate strategies to each goal, incorporates ongoing research regarding suitable benchmarks and targets, and provides discussion of the significance of results.

Outlook

BCIIF believes the performance measures it uses highlight the most crucial aspects of its performance and reflect those aspects of its performance where it has control or influence over outcomes. It is recognized that these performance measures are subject to refinement and evolution as the Corporation matures.



Ostara Nutrient Recovery Technologies Inc.

Source Data and Reliability

BCIIF has sought to identify performance measures that are reliable and valid. Current and historical performance measures are not audited, however, they are largely based on audited information, and information subject to third-party verification.

- Capital calls are based on invoices and reconciled with the venture capital fund managers' audited financial statements.
- Yields are derived from investment agreements.
- Expense ratio will be derived from the Corporation's audited consolidated financial statements.

Government's Letter of Expectations



Government's Letter of Expectations

BCIIF Alignment

BCIIF will monitor and report on its capital commitments of up to \$90 million in venture capital investments.

We will provide active oversight of the eight venture capital fund managers and report on the Corporation's capital commitments.

BCIIF will invest available funds in Government's Reporting Entity to finance provincially-approved capital projects that also qualify under the applicable federal regulations.

We will continue to finance provincially-approved capital projects.

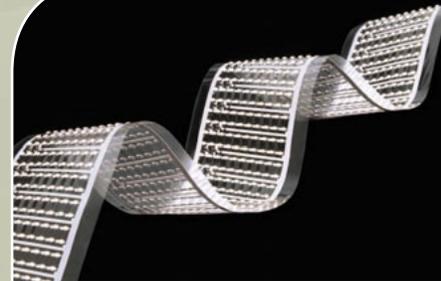
BCIIF will use either the Ministry of Finance or bcIMC for investment or deposit of funds in liquid investments, other than amounts allocated to venture capital and Government Reporting Entity investments.

We will use the Ministry of Finance or bcIMC to invest or deposit available funds in liquid financial instruments.

BCIIF will explore opportunities to invest its capital in ways that meet its core objectives and support the Government's economic and jobs strategy.

We will seek approval from Government for an investment plan, which explores new opportunities to invest the capital.

Summary Financial Outlook



Consolidated Statement of Operations, 2012/13 – 2016/17

(in \$000s) FISCAL YEAR	ACTUAL 12/13	FORECAST 13/14	BUDGET 14/15	BUDGET 15/16	BUDGET 16/17
REVENUE (1)					
Investment income	1,984	2,469	1,802	2,293	3,971
Interest income	9,611	8,613	7,695	6,897	6,074
	11,595	11,082	9,497	9,190	10,045
EXPENSE					
Advertising & promotion (2)	52	62	60	60	60
Board of director fees & expenses (3)	68	106	120	120	120
Board of director support services (4)	108	125	94	94	94
Salary, wages & benefits (5)	183	296	566	566	566
Investment fees (6)	189	221	176	176	176
Office & business expenses	78	108	101	101	101
Professional fees	124	190	257	257	257
Amortization of discount	5,437	5,377	4,555	4,555	4,555
	6,239	6,485	5,928	5,928	5,928
ANNUAL OPERATING SURPLUS	5,356	4,596	3,569	3,262	4,117
RETAINED EARNINGS, end of year	37,808	42,404	45,973	49,235	53,352
DEBT TO CANADA, end of year (7)	362,904	444,044	441,431	384,718	355,491

Key Assumptions

The above financial information, including forecast information, was prepared based on current Canadian Generally Accepted Accounting Principles (“GAAP”).

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

This Service Plan incorporates “forward-looking statements” including information related to anticipated growth in revenues, growth in retained earnings, investment performance, expense levels, as well as the expected effects of interest rate changes. Actual results may differ materially from those in the forward-looking information as a result of various factors, some of which are beyond the BCIIIF’s control, including but not limited to those discussed under the “Key Risks and Opportunities” section.

Consolidated Statement of Operations, 2012/13 – 2016/17, *continued*

Notes

1. Revenue is based on a conservative assumption that all available funds, other than amounts required to meet venture capital commitments, will be invested in liquid financial instruments, earning returns based on the Treasury Board Staff interest rate forecast. As BCIF is in a transition period, the infrastructure loans forecasted in prior year Service Plans have been reallocated to Central Depository Investments.
2. Advertising & promotion expenses are used to attract venture fund managers to BC investment opportunities in targeted sectors.
3. The Board of Directors were appointed on July 18, 2012. The 2012/13 Board of director fees and expenses represent their term for the partial year. The expenses are expected to rise in 2014/15 due to the anticipated meeting schedule of Board/Committee meetings required during the forecasted term.
4. Board of director support services include advisory and corporate secretariat services.
5. Salary, wages & benefits are forecasted to reflect BCIF's transition to independent operations. In prior years, partial salaries and travel expenses have been recovered from BCIF to compensate government for the fractional time provided by government staff in their duties related to the BCIF and BCRCF.
6. Investment fees include bcIMC and Corporate Project Finance management fees that cover costs for managing the short-term investments and public infrastructure loans respectively. Forecasted investment fees are decreasing to reflect a reduction in investment under bcIMC's management. While investments costs are reduced, they will not go to zero as a portion of capital, in particular US dollar investments, will remain with bcIMC.
7. BCIF receives monthly allocations from the Government of Canada. The debt to Canada is supported by a Provincial guarantee. For details, see the "Organizational Overview" section.

Subsidiary Information



The B.C. Renaissance Capital fund is a Crown corporation that is wholly-owned by the BCIF. The members of the Board of Directors and management are the same as the BCIF. In August 2007, the provincial Treasury Board approved an allocation of \$90 million from BCIF to BCRCF for the purposes of pursuing investment in four key technology sectors: information technology; life sciences; clean technology; and digital media. 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 BC gain full-scale commercialization;
- Increase the depth of the venture capital market in BC; and
- Enhance the visibility of BC as an attractive market for venture capital opportunities in North America and globally.

As of January 2014, 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 Capital 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.

BCRCF invests with venture capital fund managers who have a 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 BC in order to increase the probability of successful investment in the Province. Examples of some of these commitments include:

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

BCRCF Statement of Operations, 2012/13 – 2016/17

(in \$000s) FISCAL YEAR	ACTUAL 12/13	FORECAST 13/14	BUDGET 14/15	BUDGET 15/16	BUDGET 16/17
REVENUE					
Investment income (1)	1,545	1,038	0	0	0
	1,545	1,038	0	0	0
EXPENSE					
Advertising & promotion	52	62	60	60	60
Salary, wages & benefits (2)	176	44	85	85	85
Office & business expenses	73	80	74	74	74
Professional fees	43	45	50	50	50
	344	231	269	269	269
ANNUAL OPERATING SURPLUS	1,201	807	-269	-269	-269
RETAINED EARNINGS, end of year	-257	806	537	268	-1

Key Assumptions

This Service Plan incorporates “forward-looking statements” including information related to anticipated growth in revenues, growth in retained earnings, investment performance, expense levels, as well as the expected effects of interest rate changes. Actual results may differ materially from those in the 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 “Key Risks and Opportunities” section.

Notes

- Venture capital investments are at the high end of the risk spectrum, with capital invested in illiquid private companies over a term of six to ten years. As is expected in any venture capital fund when investing in early stage technology companies, BCRCF will experience both losses and gains. Typically the losses will occur early on in the investment period compared to positive returns which will be realized in the long term. To be conservative, venture capital investment income will be reported as they are realized.
- Venture capital investments represent 15% of the total portfolio; thus, the salary, wages & benefits are allocated according to this rate.

Contact Information

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