



BC Immigrant Investment Fund Ltd.

2011/12 – 2013/14 SERVICE PLAN



CHAIRMAN'S MESSAGE TO THE MINISTER RESPONSIBLE

The Honourable Colin Hansen, Minister of Finance

The BC Immigrant Investment Fund Ltd. (BCIIF) Service Plan provides insight into the fund's main activities anticipated in 2011/12 and beyond. The BCIIF has entered into loans with six entities that are within the Government Reporting Entity in accordance with its mandate. In 2007/08 and 2008/09, the Minister of Finance approved a request by BCIIF's wholly-owned subsidiary, the B.C. Renaissance Capital Fund Ltd. (BCRCF) to invest \$90 million with seven venture capital fund managers. The BCRCF has now completed two Request For Qualifications processes and selected seven venture capital fund managers with whom it has committed to invest venture capital funds in high technology businesses. Six of the selected venture capital fund managers have now completed their fund raising activities and are presently investing and evaluating investment opportunities from British Columbia. As of January 2011, BCRCF fund managers have invested \$100 million in 13 companies that employ over 740 people.

For the next fiscal year, the BCIIF with its remaining capital pool, will continue to pursue commercial lending activity with entities within the Government Reporting Entity. The BCRCF will continue to monitor the performance of its venture capital fund partnerships and will continue to promote venture capital investment opportunities in the province to institutional and corporate investors.

ACCOUNTABILITY STATEMENT

The 2011/12 - 2013/14 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 2011 have been considered in preparing this plan. Identified risks include market risk and interest rate risk. A summary of these and other risks can be found on pages 19 and 20 of the Service 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 15, 2011
Victoria, British Columbia
BC Immigrant Investment Fund Ltd.

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1. 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 Finance 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. In lieu of interest, there is an IIP program administration fee paid to the federal government for these Funds. 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 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.

1. ORGANIZATIONAL OVERVIEW

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 “BC 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.

BCRCF commitments totalling \$90 million have been finalized with seven fund managers through formal limited partnership agreements, side letter agreements and/or letters of intent subject to satisfaction of specified conditions.

The seven fund managers are:

- ARCH Venture Partners
- Kearny Venture Partners
- VantagePoint Venture Partners
- Yaletown Venture Partners
- Tandem Expansion Fund
- VanEdge Capital, and
- Wesley Clover Ltd.

During the past year Yaletown Venture Partners, Tandem Expansion Fund and VanEdge Capital completed their fund raising activities and are beginning to evaluate BC investment opportunities. Collectively, venture capital fund managers affiliated with the BCRCF manage \$2.5 billion of venture capital that is available for investment.

Over the next four to six years (the “investment period”), the fund managers will make investments in the four key technology sectors of life sciences, clean technology, information technology and new media. In the four to six years following the investment period, the BCRCF expects to realize returns from its investments.

BCRCF staff will 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. As of January 2011, \$23.2 million of capital calls on BCRCF’s investment commitments have been paid to six fund managers resulting in \$100 million of venture capital being invested in 13 BC technology companies.

2. CORPORATE GOVERNANCE

The BCIF is governed by a Board of Directors consisting of two members. The Minister of Finance appoints the Board members. The BCIF works closely with the Ministry and is acting in accordance with 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 are:

1. Brian Hansen (Chair), Assistant Deputy Minister, Ministry of Science and Universities; and
2. Jim Hopkins, Assistant Deputy Minister, Ministry of Finance.

A process will be undertaken to select and appoint up to three more directors, likely from the private sector.

The signing officers of the BCIF are:

1. Brian Hansen, President and Chairman
2. Jim Hopkins, Director
3. Terry Gelinias, Comptroller
4. Barb Searle, Treasurer

The Directors of the BCRCF are the same as the Directors of the BCIF.

The signing officers of the BCRCF are:

1. Brian Hansen, President and Chairman
2. Jim Hopkins, Director
3. Todd Tessier, Vice-President of Investments
4. Terry Gelinias, Comptroller
5. Barb Searle, Treasurer

More information about corporate governance can be found on the BCIF website at: www.bciif.ca/BCIIF/About/CorporateGovernance/Pages/Default.aspx

BCIIF 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.

3. STRATEGIC CONTEXT

FEDERAL IMMIGRANT INVESTOR PROGRAM

Under the Program's provincial allocation formula, the BCIIIF now manages approximately \$330 million in net receipts as of January 2011. As the Program's popularity continues and more immigrants participate, the total funds available (and thus BCIIIF's allocation) are expected to increase.

In June 2010, CIC publicly announced that it will increase the amount that each individual immigrant investor must deposit with the Program. As of December 1, 2010, each new applicant will be required to deposit \$800,000 instead of the current \$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. As a result, we expect that the funds allocated to the BCIIIF will increase significantly but gradually.

In October 2010, the Province of New Brunswick joined the Program, and in December 2010, Saskatchewan joined the Program, so funds are now spread among eight provinces instead of six, which reduces the BCIIIF's proportionate share. Note, however, that this decrease is more than offset by the overall increase in the number of immigrant investors participating in the Program and by the doubling of the immigrant deposit amount.

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

As of January 2011, the Ministry of Finance forecasts a drop in real GDP growth in 2011 to 2.2%. Over the medium term British Columbia's economy is expected to grow by 2.8%. The Ministry's forecast is slightly more conservative than most private sector forecasts. The Ministry is cognizant of the potential downside risks associated with a weaker than expected global economy. Risks to British Columbia's economic outlook include a double dip recession in the U.S., additional turmoil in global financial markets, and slower global demand for domestic products, volatile commodity prices and further moderation of demand in British Columbia. The federal program funding allocation formula for British Columbia is not expected to be materially affected by these risks going forward.

The current infrastructure investments made by the BCIIIF in the BC 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.

Thomson Reuters has reported that merger and acquisition activity in the United States as well as IPO activity is moving at a record pace as at the end of the 3rd quarter in 2010. Acquisition activity as of January 2011 has already surpassed 2009 totals and IPO filings have increased three-fold over this time period from last year. If this trend is sustained then it is expected that the market for venture capital should return shortly to pre-recession levels. See Section 7 for a discussion of market risk and how it is being managed by the BCIIIF Board and its management.

3. STRATEGIC CONTEXT

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 manager 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, 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.

3. STRATEGIC CONTEXT

UVIC – Technology Enterprise Facility (TEF)



The BCIF 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 BCIF 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 BCIF 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 BCIF 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.

3. STRATEGIC CONTEXT

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 centre 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. 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).

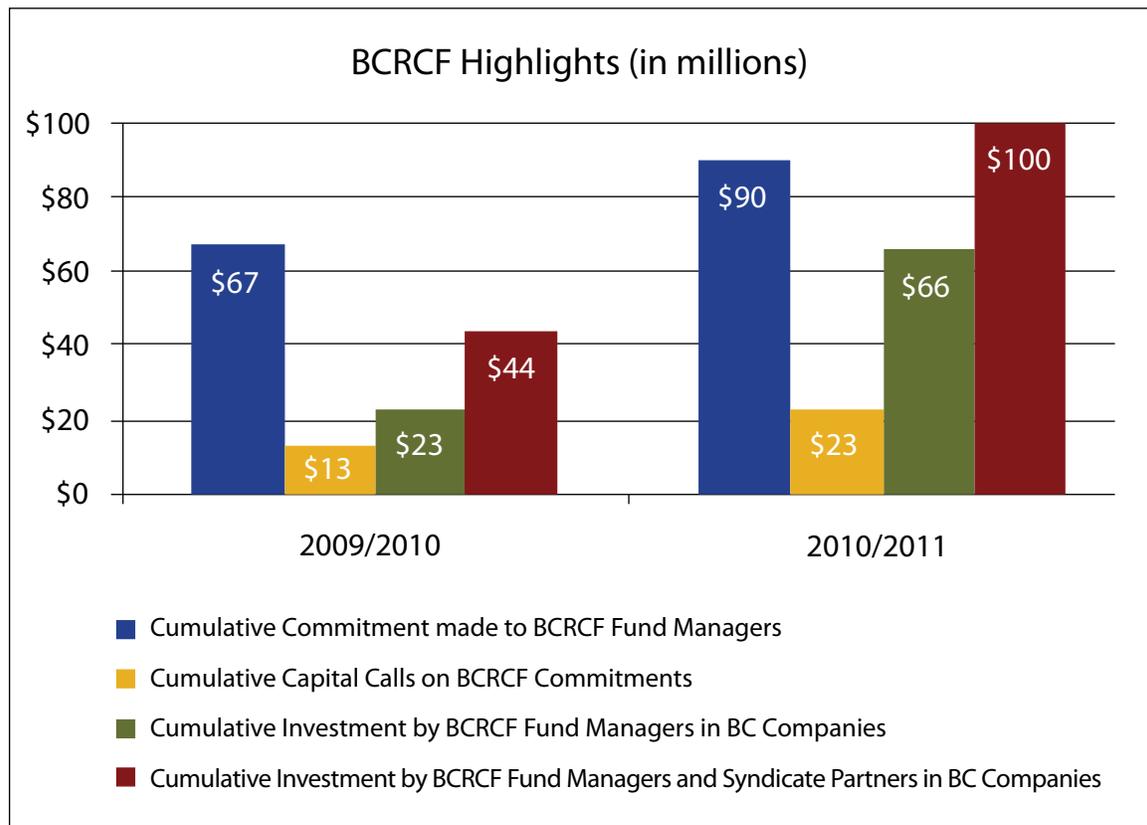


3. STRATEGIC CONTEXT

II. VENTURE CAPITAL INVESTMENTS

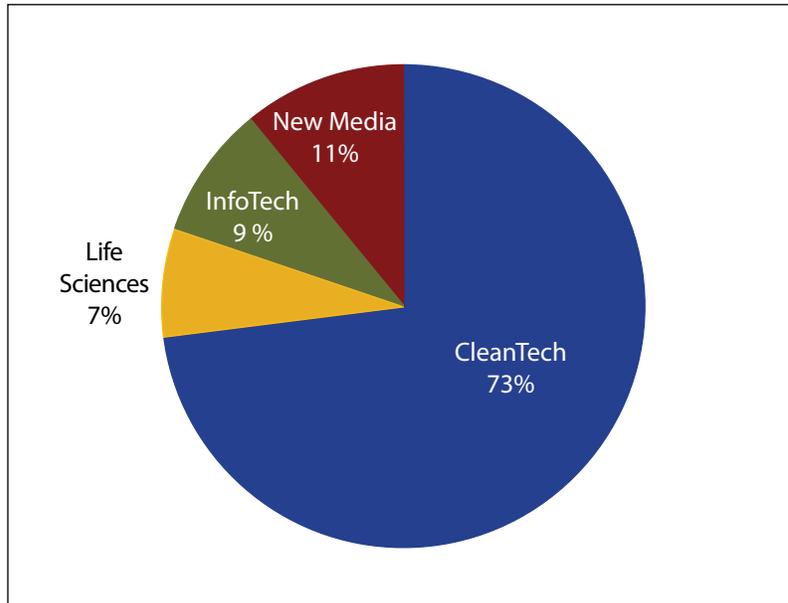
The BCRCF has committed a total of \$90 million with seven fund managers, who in turn invest the capital directly into high technology businesses. A commitment to one of the funds is subject to a successful capital raising process. According to the Treasury Board criteria, each fund manager must raise a minimum of \$80 million of capital from other investors before receiving any capital from the BCRCF.

Approximately \$23.2 million of capital calls have been drawn down by six fund managers. To date, the BCRCF fund managers and syndicate partners have invested \$100 million in 13 BC companies, of which the BCRCF fund managers contributed \$66 million. These results demonstrate a leverage factor of almost 4.5 times the capital called to aggregate investments in BC companies.



3. STRATEGIC CONTEXT

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 13 BC companies in which BCRCF's fund managers have invested employ over 740 individuals. The breakdown of the investments in each sector to date is as follows:



Clean technology investments have dominated due to opportunities nurtured by a comprehensive set of climate actions and government policies. These initiatives harness British Columbia's natural advantages to help build a vibrant clean technology sector. BC companies are leaders in clean energy production, environmental technologies, sustainable technologies, and energy efficiency. For example, Ostara Nutrient Recovery Technologies Inc., a BCRCF portfolio company, was named one of the *World Economic Forum's 2011 Class of Technology Pioneers* and a *2010 Global Cleantech 100 Company*.

3. STRATEGIC CONTEXT

The BCRCF has participated in the financing of investments in the following 13 BC 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.



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 co-led investments of US\$6.9 million in Boreal.



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 co-led investments of US \$5.7 million in Cooledge.

3. STRATEGIC CONTEXT



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.



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 led a \$6 million financing round of Endurance, attracting co-investment from the Burrard Inlet Band.



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 US \$7.6 million in Molicel to advance the R&D capabilities at the BC site.

3. STRATEGIC CONTEXT



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.

LaCima Inc.

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 \$500,000 investment from Yaletown Venture Partners.

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. LBT has closed a financing round totalling \$7.5 million, led by VantagePoint Venture Partners.

3. STRATEGIC CONTEXT



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 \$1 million investment from Yaletown Venture Partners and individual investors.



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 and syndicate partners have invested \$735,000 in Partnerpedia.



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.



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 plants across North America. VantagePoint Venture Partners made a US \$9 million investment, with the balance invested by Frog Capital.

4. 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 investments.

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

(in \$millions)	ACTUALS		ESTMATES	TARGETS		
	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Infrastructure Loans						
1. New investments made within public infrastructure	-	100	75	80	40	100
2. Cumulative investments made within public infrastructure	87	187	262	342	382	482

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 .

In 2011/12, BCIIF management will develop a tailored benchmark for meaningfully and fairly assessing performance of its portfolio.

4. GOALS, STRATEGIES, PERFORMANCE MEASURES AND TARGETS

VENTURE CAPITAL INVESTMENTS

(in \$millions)	ACTUALS		ESTMATES	TARGETS		
	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Cumulative commitment made to BCRCF Fund Managers	35	67	90	90	90	90

RATIONALE

The BCRCF has now extended commitments for its mandated \$90 million to 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.¹ 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 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 the returns at this juncture. The BCRCF is building metrics to gauge the risk-adjusted returns for the capital commitments by 2013/14 with due regard to the age of the respective funds and the returns publicly 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.

¹VC Experts Glossary, available at http://vcexperts.com/vce/library/encyclopedia/glossary_view.asp?glossary_id=247

4. GOALS, STRATEGIES, PERFORMANCE MEASURES AND TARGETS

(in \$millions)	ACTUALS		ESTMATES	TARGETS		
	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
PERFORMANCE MEASURES						
1. Cumulative capital calls on BCRCF commitment	7	13	24	39	55	65
2. Cumulative investments by BCRCF Fund Managers in BC companies	12	23	66	78	110	130
3. Cumulative investments by BCRCF Fund Managers and Syndicate Partners in BC companies	29	44	100	137	193	228

RATIONALE

Objectives of the venture capital component of the fund include:

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

To date, the BCRCF fund managers and syndicate partners have invested \$100 million in 13 BC companies, which employ over 740 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 seven fund managers with broad networks and geographic diversification, who have full discretion to invest in any jurisdiction with suitable commercial opportunities. 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 \$100 million invested into 13 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 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.

5. SHAREHOLDER'S LETTER OF EXPECTATIONS

KEY ASSUMPTIONS

Through the Shareholder's Letter of Expectations, dated December 1, 2010, the Shareholder provided direction to the BCIF consistent with the general direction to Crown corporations regarding the roles and responsibilities of the Minister of Finance 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:

- The Corporation will monitor and report on its capital commitments of up to \$90 million in venture capital investments;
- The Corporation will invest available funding in entities which are in the Government's Reporting Entity to finance provincially approved capital projects which also qualify under the applicable federal regulations. For this purpose, the Corporation will use the services of the Ministry of Finance via a service level agreement.
- The Corporation will use the services of the British Columbia Investment Management Corporation for investment of the fund in liquid instruments, other than amounts drawn by fund managers for venture capital and Government Reporting Entity investments.
- The Corporation, in consultation with the Ministry, the Crown Agencies Resource Office and the Board Resourcing and Development Office, will continue to refine its governance and Board structure to ensure a neutral, balanced Board with the appropriate expertise. It is anticipated that up to three external Directors will be added to the Board.

6. SUMMARY FINANCIAL OUTLOOK¹

(in \$000s)	ACTUAL	ESTIMATE	FORECAST			
FISCAL YEAR	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
REVENUE						
Investment income	4,297	900	686	814	901	1,536
Interest Income						
BCIT	2,885	2,783	1,365	0		
UVIC - TEF	220	211	203	194	184	175
UCFV	673	673	656	639	620	600
NVIT	157	154	152	149	146	142
SFU	246	127	88	75	61	47
Province (\$100m)	970	3,277	2,975	2,663	2,341	2,006
Province (\$75m)		596	2,257	2,047	1,830	1,606
New Loans			1,537	3,745	4,922	6,121
TOTAL REVENUE	9,447	8,721	9,919	10,325	11,005	12,233
EXPENSES						
Corporate and Project Finance Fee ²	152	140	140	140	140	140
BCIIF / BCRCF Fund Administration Fee ³	292	234	230	236	236	236
BCIIF / BCRCF Marketing ⁴	32	62	67	67	67	67
BCIMC Management Fee	254	125	52	52	48	68
Amortization of Discount	4,079	4,700	5,781	5,687	5,471	5,275
TOTAL EXPENSES	4,809	5,261	6,270	6,182	5,962	5,786
NET INCOME (LOSS)	4,638	3,460	3,649	4,143	5,043	6,447
RETAINED EARNING, beginning of year	19,596	24,234	27,694	31,343	35,486	40,529
RETAINED EARNINGS, end of year	24,234	27,694	31,343	35,486	40,529	46,976
DEBT TO CANADA, end of year⁵	299,000	362,028	422,278	410,051	497,259	498,121

1. The above financial information, including forecast information, was prepared based on current Canadian Generally Accepted Accounting Principles (GAAP).
2. The loan management fee covers costs for placing, documenting and administering the public sector loans.
3. Fund administration fees for the BCIIF and BCRCF cover portfolio administration, 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 continue to provide monthly allocations at the current levels for the next fiscal year as has been indicated by the Program administrators at the CIC. Note that this is a conservative assumption. Sometime in late 2011 or early 2012, the BCIIF expects to begin receiving 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".

7. 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 BCIF and could lead to the drawdown of at least some of the \$500 million provincial guarantee. This could arise because the BCIF makes investment commitments that exceed the five-year term for returning funds to the federal government. Based on discussions with the federal administrators, the BCIF 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 BCIF. BCIF manages its exposure to interest rate risk by holding a portfolio of fixed and floating rate investments. BCIF 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 2011/12 and would impact BCIF investments 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. BCIF 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).

7. FINANCIAL RISKS

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 being evaluated 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.

8. CAPITAL PLAN AND MAJOR CAPITAL PROJECTS

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

9. SUBSIDIARY OR OPERATING SEGMENT SUMMARY INFORMATION

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

10. CONTACT INFORMATION

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