

WUTIF Capital (VCC) Inc

Western Universities Technology Innovation Fund

WUTIF – A novel Investment and Endowment Fund for B.C.

WUTIF Capital (VCC) Inc is a seed investment fund established for the purpose of investing in promising technologies such as those being developed at BC's universities and institutions. This fund is expected to be the first in a series of such funds.

This fund, a Venture Capital Corporation (VCC) established under the B.C. Small Business Venture Capital Act (SBVCA), provides investors with a 30% refundable tax credit. Investors in the VCC receive one common share and one warrant for each \$10 invested. Investors such as university alumni are encouraged to donate their VCC shares to their alma mater in return for a tax deduction (43.7%). The net cost to an investor is \$2.63 for each \$10 donated. In addition to the charitable recognition, there is a substantial upside opportunity for the investor through the warrants which are retained by the investor. The warrants, which are valid for a 5-year period, entitle the holder to purchase one additional common share in the VCC for \$10. Hence, if the value of the shares increases to \$15, the warrants would each be worth \$5.

Investors who do not wish to donate their shares to their university or charity, may realize similar tax benefits by having their RRSP hold their WUTIF shares. With respect to liquidity, WUTIF may, subject to market conditions, seek to have its shares listed for trading within three years.

This fund offers many benefits. B.C.'s universities and charities have a new source of endowment income, technology companies (e.g. university spin-offs) can access seed capital, donors may recoup their donation through warrants, and tax benefits reduce investors' at-risk capital. At the same time the VCC is contributing to the Province's economic development.

Expenditures on research are escalating. The Federal government is committed to a three-fold increase in research funding during this decade. In B.C., total venture capital (institutional and private) investments in 2002 totaled approximately \$500 million. However, very little early stage, "seed" funding is available to companies. This is the funding gap that WUTIF will address.

Very modest amounts of capital will be committed in the initial stages of a project (as little as \$25,000), increasing to as much as \$250,000 later on, as increasingly more demanding milestones are successfully reached. In addition to providing capital, WUTIF will draw on the infrastructure (e.g. peer reviews) and support networks that exist in B.C. It will leverage its funds by attracting angel investors and other funding sources.

WUTIF is well equipped to perform this essential function in the capital creation process by virtue of its close working relationship with the technology transfer offices in each of BC's major academic institutions:

- University of British Columbia
- University of Victoria
- Simon Fraser University
- BC Institute of Technology
- University of Northern British Columbia

In addition, all of the Province's other technology organizations may be counted on to support WUTIF in its role of facilitating the transfer of technology from the lab to the marketplace (see www.hitechbc.com for a complete list).

WUTIF will take founding positions in a large number of emerging companies, many of which are destined to become tomorrow's success stories. Towards this end, a number of key strategies will be implemented:

- A highly qualified Board of Directors
- Diverse Advisory Board populated with knowledgeable professionals experienced in both business and technology
- Clearly defined processes with detailed reporting, accounting and corporate governance
- Well-executed investment strategy that will effectively mitigate the risks usually inherent in technology investing. For example:
 - By ensuring that certain minimum standards (re people and technology) are satisfied
 - By ensuring that a sufficiently large number of diverse projects are undertaken
 - By ensuring sufficient resources are made available to the most promising prospects
 - By ensuring allocated funds are used effectively for approved purposes

ROI Comparisons	1 Year	3 Year	5 Year	10 Year	20 Year
WOF (BC Labor Fund)	-11.50%	18.51%	12.41%	7.98%	
S&P/TSX Index	-12.75%	7.34%	6.95%	10.37%	
Early/Seed*	-35.30%	36.90%	46.20%	32.60%	20.20%
Later Stage*	-20.50%	11.80%	17.60%	24.10%	16.50%

*(*Venture Economics' Private Equity Performance Index is calculated quarterly from Venture Economics' Private Equity Performance Database that tracks the performance of 1400 US VC and buyout funds formed since 1969. Last updated 6/30/2002. Data for WOF and S&P as of 12/31/2001)*

B.C. has a very successful track record in the business of turning research today into tomorrow's success stories. For example, between 1991 and 2002, \$68M was invested through the B.C. Science Council's TechBC program. These companies generated \$96M in revenue and created 1,100 jobs during that period. Between 1997 and 2001, these companies created \$18 in revenue for every \$1 in funding received during the first four years of commercial production. WUTIF will fill the void left by TechBC and similar programs such as the B.C. Advanced Systems Institute's Product Development Fund.

