Response to Applicant - Partial Access Granted

Form 4B

Re: Your request for access to information under Part II of the Access to Information and Protection of Privacy Act [Our File #: BTCRD/18/2015; BTCRD/19/2015]

On April 02, 2015, the Department of Business, Tourism, Culture and Rural Development received your request for access to the following records/information:

BTCRD/18/2015:

"I am also requesting all information notes, briefing notes, fact sheets on the Ventures NL Fund"; and,

BTCRD/19/2015:

"I am also requesting all information notes, briefing notes, fact sheets on the Building Ventures Fund"

I am pleased to inform you that your request for access to these records has been granted in part. Access to 29 pages of remaining records, and/or information contained within the records, has been refused in accordance with Sections: 18.(1)(a)(ix), 18.(2)(a); 18.(1)(a)(vii), 18.(2)(a); and, 18.(1)(a)(viii), 18.(2)(a) as specified in the Access to Information and Protection of Privacy Act (the Act), (see attached for noted sections).

In accordance with your request a copy of the appropriate records has been enclosed.

Section 43 of the Act provides that you may ask the Information and Privacy Commissioner to review this partial refusal of access or you may appeal the refusal to the Supreme Court Trial Division. A request to the Information and Privacy Commissioner shall be made in writing within 60 days of the date of this letter or within a longer period that may be allowed by the Commissioner.

Records that are refused on the basis of section 18(2)(a) (official cabinet record), you must
appeal directly to the Supreme Court Trial Division within 30 days after you receive the decision of the public body, pursuant to section 60. You may also contact the Office of the Information and Privacy Commissioner who may decide to initiate an appeal pursuant to subsection 60(1.1).

The address and contact information of the Information and Privacy Commissioner is as follows:

Office of the Information and Privacy Commissioner  
2 Canada Drive  
P. O. Box 13004, Stn. A  
St. John's, NL. A1B 3V8  
Telephone: (709) 729-6309  
Facsimile: (709) 729-6500

In the event that you choose to appeal to the Trial Division, you must do so within 30 days of the date of this letter. Section 60 of the Act sets out the process to be followed when filing such an appeal.

Please be advised that responsive records will be published following a 72 hour period after the response is sent electronically to you or five business days in the case where records are mailed to you. It is the goal to have the responsive records posted to the Office of Public Engagement's website within one business day following the applicable period of time. Please note that requests for personal information will not be posted online.

If you have any further questions, please contact Jonathan Hammond, ATIPP Coordinator, by telephone at 709-729-6811 or by e-mail at JonathanHammond@gov.nl.ca.

Sincerely,

Alastair O'Reilly  
Deputy Minister

Enclosure(s)
18. (1) In this section

(a) "cabinet record" means

(i) advice, recommendations or policy considerations submitted or prepared for submission to the Cabinet,

(ii) draft legislation or regulations submitted or prepared for submission to the Cabinet,

(iii) a memorandum, the purpose of which is to present proposals or recommendations to the Cabinet,

(iv) a discussion paper, policy analysis, proposal, advice or briefing material, including all factual and background material prepared for the Cabinet,

(v) an agenda, minute or other record of Cabinet recording deliberations or decisions of the Cabinet,

(vi) a record used for or which reflects communications or discussions among ministers on matters relating to the making of government decisions or the formulation of government policy,

(vii) a record created for or by a minister for the purpose of briefing that minister on a matter for the Cabinet,

(viii) a record created during the process of developing or preparing a submission for the Cabinet, or

(ix) that portion of a record which contains information about the contents of a record within a class of information referred to in subparagraphs (i) to (viii);

(b) "discontinued cabinet record" means a cabinet record referred to in paragraph (a) the original intent of which was to inform the Cabinet process, but which is neither a supporting Cabinet record nor an official Cabinet record;

(c) "official cabinet record" means a cabinet record referred to in paragraph (a) which has been prepared for and considered in a meeting of the Cabinet; and

(d) "supporting cabinet record" means a Cabinet record referred to in paragraph (a) which informs the Cabinet process, but which is not an official cabinet record.

(2) The head of a public body shall refuse to disclose to an applicant a Cabinet record, including

(a) an official Cabinet record;

(b) a discontinued Cabinet record; and

(c) a supporting Cabinet record.

(3) The commissioner may review the refusal of a Cabinet record by the head of a public body under subsection (2) except where the decision relates to a Cabinet record which has been certified as an official Cabinet record by the Clerk of the Executive Council or his or her delegate.

(4) Where a question arises as to whether a Cabinet record is an official Cabinet record, the certificate of the Clerk of Executive Council or his or her delegate stating that the record is an official Cabinet record is conclusive of the question.

(5) The delegate of the Clerk of the Executive Council referred to in subsections (3) and (4) shall be limited to the Deputy Clerk of the Executive Council and the Secretary of the Treasury Board.
(6) An applicant may appeal a decision of the head of a public body respecting Cabinet records referred to subsection (2), except an official Cabinet record, to the commissioner or the Trial Division under section 43.

(7) An applicant may appeal a decision of the head of a public body respecting a Cabinet record which is an official Cabinet record directly to the Trial Division.

(8) This section does not apply to

(a) information in a record that has been in existence for 20 years or more; or

(b) information in a record of a decision made by the Cabinet on an appeal under an Act.

2012 c25 s6
Venture Capital

To provide an overview of the Provincial Government's decision to invest in two venture capital funds to support start-up and early stage firms in the province.

Background and Current Status:

- As part of Core Mandate Analysis in 2012/13, IBRD reviewed its existing suite of programs to ensure the needs of the business community were being served. This process highlighted the need for Venture Capital (VC) to address the lack of risk capital designed to drive growth in sustainable knowledge-based industries such as ocean technologies, information technology, among others.

- The VC gap was validated in 2011 when the Province engaged an expert (Gilles Duruflé, Ph.D.) to analyze VC funding within NL and the benefits of participating in a regional VC fund. Additional discussions and roundtables with Memorial University, the Newfoundland and Labrador Angel Network, and prominent entrepreneurs in NL emphasized that the gap in investment capital is growing - particularly between NL and other provinces in Atlantic Canada.

- Currently, two VC Funds exist in the province (Killick Capital and the Growth Works Atlantic Fund). However, both are fully subscribed.

- In 2013, Nova Scotia, New Brunswick and PEI along with other government and private partners launched Build Ventures to support the development of early-stage technology companies in the region. To date, over $50M has been raised.

- NL did not participate in Build Ventures at its inception as the province did not feel that it had the appropriate seed and pre-early stage financing supports in place to ensure the development of an ongoing pipeline of companies that could compete with their Atlantic Canadian counterparts for financing from Build Ventures.

- Build Ventures closed to new investors February 2014. However, the Limited Partners (LPs) in the fund kept it open for NL should the province decide to invest.

- In 2013, GrowthWorks (an Atlantic Canada based fund manager) and Newfoundland and Labrador Angel Network (NLAN) proposed the establishment of a seed fund to address the lack of support for start-up and pre-commercial firms in NL.

- On March 6 2014, approval was given for IBRD to invest in the two venture capital initiatives.
The funding for the $20 million in venture capital will be provided from IBRD’s Business Attraction Fund, (renamed Investment Attraction Fund in Budget 2014).

The Venture Newfoundland and Labrador Fund will be approximately a $15M Fund. In addition to the Province’s $10M investment, $2-$3M will be sourced from institutional investors including BDC and $2.5M will be raised from accredited individual investors, primarily members of NLAN. The fund will invest in strategic sectors such as information technology, ocean technology, new media, clean technology and life sciences, among others.

To raise the projected $2.5M private capital from individual investors, changes to the Direct Equity Tax Credit (DETC) or the introduction of a Venture Capital Tax Credit is required to provide additional incentive. The Dept. of Finance has been directed to seek a mechanism to qualify investors in the Venture Newfoundland and Labrador fund for such a tax credit. A Bill has been drafted and will be introduced to the House within the coming weeks to establish a Venture Capital Tax Credit.

Build Ventures is a commercially managed independent VC fund investing in equity and equity-related securities in early stage knowledge-based businesses principally originating in the Atlantic Provinces. IBRD is committing $10M to Build Ventures which is approximately 1/6 of total value of the fund. Other investors include:
- Nova Scotia ($15M)
- New Brunswick ($15M)
- Prince Edward Island ($2.5M)
- BDC ($10M)
- EDC ($5M)
- Fund Manager ($1M)
- Technology Venture Corporation ($5M)
- Other private investors ($1-3M)

Monies will flow over a six to nine year timeframe with the majority of the capital flowing over the first three years.

IBRD intends to officially announce the establishment of Venture Newfoundland and Labrador and its investment in the funds before the end of June. This announcement will be a high profile event intended to raise the public’s awareness of the funds and to promote participation by the province’s emerging technology industry.

Prior to announcing Build Ventures, IBRD will need to sign a Partnership Agreement to formally become a Limited Partner in the fund. A copy of the agreement is currently under review by the Department of Justice.

IBRD and BDC are also preparing a Partnership Agreement for the Venture Newfoundland and Labrador Fund. IBRD and the other partners will also need to enter into a management agreement with GrowthWorks Atlantic who will manage the fund, and direct and oversee investments on behalf of the partners.

Prepared by/Approved by: D. Genge/A.O’Rielly
Date: May 25, 2014

[Signature]
Title: Venture Capital Funds for Newfoundland and Labrador

Issue: On November 4, 2014, the Province will announce the creation of an NL-specific venture capital fund and an associated Venture Capital Tax Credit, as well as an investment in an Atlantic venture capital fund that will be open to NL businesses. The following provides an overview of the role of venture capital in general, the need for such funds in NL, and the two funds that will now serve the need for venture capital in the province.

Background and Current Status:
- All businesses require various forms of financing and advisory support throughout their evolution and growth. Venture capital is a form of funding available to businesses that demonstrate high growth potential, but also present high risk for investors, such as technology or knowledge-based industries. Given that firms seeking to enter, or even those fairly established in these sectors often lack physical assets to act as collateral, traditional forms of business financing cannot be relied upon.

- Venture capital financing takes the form of ownership (equity) investments. Also, investors frequently work with new companies to provide advice on matters that may be outside the founders' field of expertise in order to develop a stronger, soundly managed business with the best chance for success.

- This model of investment has been a primary facilitator of the growth in knowledge-based sectors in recent decades, and it is anticipated that this will remain the case. Indeed, it is difficult to establish and grow this sector without sufficient access to venture capital. The success of technology industries in regions such as the “Silicon Valley”, CA and Waterloo, ON, among others, has paralleled the availability and growth in venture capital funding in these areas. While the magnitude in NL may not have a similar scale, the principle is entirely applicable.

Role and Availability of Venture Capital in NL
- The current administration has been consistent that the Province must use income from, and expertise related to the non-renewable natural resource sector, to facilitate the diversification of NL's economy to include long-term, knowledge-based industries. This is reflected in the 2007 Energy Plan and successive editions of the Blue Book, as well as the creation of the Research and Development Corporation, and the long standing role of BTRCD (and its predecessor departments) develop strategies to diversify the provincial economy to help ensure long term opportunity and stability.

- In 2011 the Province was approached to participate in a Pan-Atlantic venture capital fund, the Build Venture Fund (BV Fund). In order to evaluate that opportunity, the Province engaged an expert in this field to analyze the availability of venture capital in NL. This exercise uncovered that there are various gaps in the options available to finance early-stage business in the Province, and that participation in the BV fund alone, at that time, would not address the need of NL businesses.

- In consultations that have occurred since, prominent NL entrepreneurs, and other stakeholders such as Memorial University asserted that there was a growing scarcity of venture capital funds available in NL versus what was available in other Atlantic Jurisdictions. This was further validated by the evaluation undertaken by the Department during the government-wide Core Mandate Analysis in 2013. Through these processes, it was determined that there was a lack of venture capital funding available to both start-up companies, and those beyond the start-up phase but still the early stages of development.
Addressing the Need for Venture Capital in NL

Venture Newfoundland and Labrador Fund

- The Province will establish the VNL Fund, which will provide approximately $15M of venture capital. This fund will be capitalized by the following limited partners: The Province ($10M); institutional investors ($2M by the Business Development Bank of Canada); and, private investors (approximately $2.5M).

- The VCTC is intended to incentivize private investors to capitalize the fund to a desired level stated above. It will provide a 30% non-refundable tax credit on investment made in a "qualifying venture capital fund" (currently only the VNL Fund) capped at a maximum $75K credit to be applied against provincial taxes that would have been otherwise payable by the investor.

- The VNL Fund will be managed by GrowthWorks Atlantic, a leading venture capital management firm that has over two decades experience in managing these types of regionally-focused funds. The Province will act as a limited partner in the fund, able to provide general direction to the investment decisions made by the fund, but will not play a role in day-to-day operations.

Build Ventures Fund

- The BV Fund is a privately managed Atlantic Canadian regional venture fund begun that began operation in May 2013. At that time it was capitalized by the following limited partners: Nova Scotia ($15M); New Brunswick ($15M); Prince Edward Island ($2.5M); BDC ($10M); Export Development Canada ($5M); the Fund Manager ($1M); Technology Venture Corporation ($5M); and private investors ($1-3M).

- As a result, the Province will provide $10M to the BV Fund, and will act as a limited partner, in concert with the other limited partners, and be able to provide general direction to the investment decisions made by the fund, but will not play a role in day-to-day operations.

- While there is no requirement for the fund manager to spend specific amounts in each partner province, BTRCD is confident that the province will receive investments, equal to or greater than the NL’s 1/6th share of total fund capital. Additionally, this will create an opportunity to attract venture capital firms from outside the region to invest in NL, given that other established funds, such as the BV Fund, have been active in the Province.

Action Being Taken:

- BTRCD are arranging all meeting logistics and communication material required for the announcement.

Prepared by/Reviewed by: Mark Janes/Daryl Genge
Approved by: Daryl Genge
October 23, 2014