

**NEWFOUNDLAND GOVERNMENT  
FUND LIMITED**

**Activity Plan**

**Year Ending December 31, 2007**

# NEWFOUNDLAND GOVERNMENT FUND LIMITED

March 27, 2008

Honourable Thomas W. Marshall, QC  
Minister of Finance  
Government of Newfoundland and Labrador  
Confederation Building  
St. John's, NL  
Canada A1B 4J6

Dear Minister Marshall:

Newfoundland Government Fund Limited is a Crown Corporation established as a Government-administered venture capital fund under the *Immigration Act* (Canada) to raise funds from immigrant investors in order to provide loans or equity capital to promote economic development within the Province. Pursuant to the provisions of the *Transparency and Accountability Act*, the Board of Directors is accountable for the preparation of an Activity Plan and the achievement of the Plan's objectives. As this Corporation has repaid all 81 immigrant investors whose subscription proceeds funded two infrastructure projects in the Province, and is no longer transacting new business, neither the Strategic Directions of the Minister of Finance nor the Mission of the Department are considered applicable to its operations.

As Chairman of the Board, it is my pleasure to submit the Activity Plan covering the period from January 1 to December 31, 2007.

Sincerely,



Terry Paddon  
Chair of the Board

**Newfoundland Government Fund Limited**  
**Activity Plan**  
**January 1 to December 31, 2007**

**Overview**

Newfoundland Government Fund Limited (“NGFL”) was incorporated on November 10, 1995 under the *Corporations Act* of the Province. All shares of the Corporation are held by Ministers of the Crown on behalf of the Province and the affairs of the Corporation are governed by a Board of Directors appointed by the Lieutenant Governor in Council. NGFL operates with a December 31 fiscal year end and, because of its intended nature as a self-financing entity, the results of the Corporation’s activities are not consolidated in the Province’s annual financial statements.

**Mandate**

NGFL is a Government-administered venture capital fund under the *Immigration Act* (Canada) and Regulations. In September 1996, NGFL issued an Offering Memorandum to raise funds from immigrant investors in order to provide loan and equity capital to establish, expand, or revitalize businesses or commercial ventures in the Province, particularly where there are opportunities to partner with private sector companies for the provision of services and facilities traditionally provided by the public sector. For immigrant investors, in addition to earning a nominal return on their capital, their investment in NGFL helped satisfy a portion of the visa requirements under Canada’s Immigrant Investors Program.

**Board Representation**

The affairs of NGFL are overseen by a Board of Directors appointed by the Lieutenant Governor in Council. All Board members are employees of the Province, with the position of Chair held by the Deputy Minister of Finance. The current members of the Board and their positions are as follows:

Mr. Terry Paddon (Chair)  
Deputy Minister of Finance

Ms. Donna Brewer  
Assistant Deputy Minister  
Financial Planning and Benefits Administration  
Department of Finance

Ms. Cathy Duke  
Deputy Minister of Innovation, Trade and  
Rural Development

Mr. Earl Saunders (Secretary)  
Director of Debt Management  
Department of Finance

Ms. Rebecca Roome  
Deputy Minister of Education



## Sources of Funding

NGFL's offering comprised 140 units, each of which represented a \$250,000 promissory note, bearing interest at 2% per annum and repayable five years after the date funds were invested in eligible projects. Funds raised through the issue and sale of these units were to be distributed as follows:

Distribution, marketing, legal and accounting costs	10%
A reserve to refund investors who may be refused a visa	20%
Available for investment in eligible projects	<u>70%</u>
	<u>100%</u>

The offering expired on June 30, 1998 and no subscriptions for investor units could be accepted after that date. Due to the fact that many investors had been denied a visa or were no longer considering immigration to Canada, NGFL completed only 92 of the planned 140 units, representing total funding of \$23.0 million. Of this amount \$16.1 million (i.e. 70%) was required to be invested in a minimum of two eligible projects.

NGFL ultimately invested \$14.1 million, representing 70% of the proceeds of 81 investor units, in two projects. The first investment, in 2000, was \$9.4 million in a new health care facility constructed at Norris Point, Bonne Bay. The Corporation's investment represented a loan to the private sector developer which constructed the facility for lease to Western Regional Health Authority. For its second investment, in 2002, NGFL advanced a loan of \$4.7 million to a private sector developer for construction of a school at Lawn, for lease to the Newfoundland and Labrador Education Investment Corporation (later assigned to the Province). The loans to the developers were for terms of five years at an interest rate of 5%, and the financing structure for both projects linked repayment by the developers to NGFL's retirement of the promissory notes issued to immigrant investors.

## Payments and Collections

Both private sector developers defaulted on their repayment obligations to NGFL. NGFL enforced the security provisions of its loan agreements, which resulted in the hospital being acquired by the Western Regional Health Authority, and the school being purchased by the Province. During 2007-08, the Province advanced additional funding of \$1.6 million to cover NGFL's cash shortfall on its investments, thereby enabling the Corporation to fully repay the 81 investors.

There remain 11 investors, representing potential net funding of \$1.9 million available for investment, who have not yet been invested in an eligible project. While these investors have technically not met their minimum five year investment periods, they have all been issued visas by Citizenship and Immigration Canada. Due to the relatively small capital project which could be financed with the net proceeds, and the requirement to partner with the private sector, NGFL

does not intend to seek a third project. If Citizenship and Immigration Canada does not waive the investment requirement, the only option will be a transfer of this final group of investors to Canada's new immigrant investor program.

### **Objective**

By December 31, 2007, NGFL had fulfilled its obligation to fully repay the 81 investors whose investment proceeds provided the financing for two eligible projects. Citizenship and Immigration Canada has been requested to either waive the investment requirement for the remaining 11 investors, or approve their transfer to the new Federal immigrant investor program. Therefore, with respect to investors in NGFL, no further activity is necessary or planned.