



**NEWS RELEASE  
FOR IMMEDIATE RELEASE**

**British Columbia Discovery Fund Proposes Conversion to Dividend  
Distribution Model**

**VANCOUVER, B.C. May 10, 2017**

The board of directors (the "Board") of **British Columbia Discovery Fund (VCC) Inc.** (the "Fund"), a venture capital investment fund managed by Discovery Capital Management Corp. (the "Manager"), is asking the shareholders of the Fund to consider special resolutions that would convert the manner in which the Fund provides liquidity to investors to a dividend distribution model. The resolutions will be proposed at the Annual and Special Meeting of the Fund (the "Meeting") scheduled for June 8, 2017. Details are provided in the information circular of the Fund for the Meeting dated April 28, 2017 (the "Circular"), which was recently mailed to shareholders.

The Board has determined that conversion to a dividend distribution model would be in the best interests of the shareholders of the Fund and recommends that shareholders vote in favor of the special resolutions. The Board, with the assistance of the Manager, has been considering alternatives to the manner in which the Fund provides liquidity to its shareholders, including considering alternatives to its existing redemption model, given that the Fund has voluntarily discontinued the sale of its Class A Shares and is no longer renewing its continuous distribution prospectus.

The key elements of the proposal are summarized below:

- As the first step in the conversion, shareholders will be asked to consider and, if thought fit, to pass a special resolution (the "Amendment of Articles Resolution") approving amendments to the articles of the Fund to delete the redemption rights of the Class A Shares, except in the case of: (i) the death of a shareholder; (ii) the death of the annuitant of an RRSP or RRIF account that is a shareholder; or (iii) the death of the original purchaser of an RRSP or RRIF under which the original purchaser of those shares or his spouse or common law partner is the annuitant. The full text of the proposed Amendment of Articles Resolution is set out in the Circular.
- Notwithstanding the effectiveness of the Amendment of Articles Resolution, holders of Class A Shares who hold their Class A Shares coded as DCC400 shares on the FundSERV network can continue to fulfill a redemption at any time, which will be processed through the FundSERV network. The Fund intends to retain sufficient funds available to satisfy redemptions of outstanding DCC400 shares after the Special Meeting if the shareholders approve the Amendment of Articles Resolution.
- As the second step in the conversion, the Board proposes to make distributions by way of a tax-free return of capital to the extent possible rather than taxable dividends.
- This requires that the Shareholders approve a reduction of the capital of the Fund. Again, the full text of a resolution authorizing the Fund to reduce its stated capital is set out in the Circular.

- Implementation of the proposed conversion to a dividend distribution model requires shareholder approval of the two resolutions summarized above, each of which must be affirmed by no less than three quarters of the shareholders present in person or represented by proxy and entitled to vote at the Meeting.

In reconsidering an appropriate distribution model in the circumstances of the Fund, the Board considered the following:

1. The benefits of having all Shareholders continuing to share in the potential upside of the remaining portfolio of divestiture opportunities; versus the risk that, if some Shareholders are fully redeemed out of the earlier exits, they may miss out on future exits at above the current carrying value.
2. The desirability of maintaining the status quo of distributions to Shareholders by way of redemptions on a "first requested" basis versus the potential unfairness to the "last requested" investors in the event that the last investments of the Fund are less liquid and more difficult to realize.
3. The fact that portfolio exits are episodic and that it is difficult to predict both the timing and value of any particular divestiture.
4. The increased risk to the Shareholders that are last to be redeemed, as the portfolio of investments becomes less diversified and as the Fund may also be left with reduced liquidity if the highest value holdings happen to be realized earlier.
5. The observation that some investors, or their advisors, are more proactive in requesting redemptions, to the disadvantage of others.
6. The need to manage cash for 'follow on' investments into existing portfolio companies and for working capital.
7. The likelihood that, having discontinued sales of shares, the Fund will not re-commence sales in the future.
8. The precedent that a change to a dividend distribution model from a redemption model has been proposed and adopted by other similar venture investment funds.
9. Distributing cash by way of dividends does not have any adverse tax consequence to the Shareholders who hold their shares in RRSPs. Although the few Shareholders who hold their shares in non-registered accounts may be subject to tax, as dividends are not expected to be considered 'eligible' dividends for tax purposes, this will be mitigated to the extent that the Fund intends, pursuant to the proposed dividend distribution model, to make distributions by way of return of capital to the extent possible.
10. The Manager would receive no additional consideration or benefit under a dividend distribution model when compared to the existing redemption policy.
11. The fact that Shareholders are being given the opportunity to vote on the Amendment of Articles Resolution.
12. The fact that the Board will adopt a cash distribution policy providing that all net proceeds from dispositions of holdings in the Fund's investment portfolio, after the reservation of funds anticipated as required for strategic follow-on investments and for anticipated operating expenses and liabilities of the Fund will be distributed, to the extent capital is available, by way of return of capital on the Class A Shares.

If you have any questions about this proposal and recommendation, please contact Charles Cook, CFO of the Fund, at (604) 683-3000 or at [ccook@discoverycapital.com](mailto:ccook@discoverycapital.com).

## **About British Columbia Discovery Fund (VCC) Inc.**

British Columbia Discovery Fund (VCC) Inc. was established to make venture capital investments in a portfolio of small businesses in British Columbia that qualify under the *Small Business Venture Capital Act*, focusing on all of B.C.'s top internationally recognized technology clusters: information technology (software and hardware); mobile technology (wireless and networking solutions); clean technology (alternative energy and energy-saving technology solutions); new media; and health and life sciences.

Established in 2002 and managed by **Discovery Capital Management Corp.**, the Fund is focussed on making diversified investments in British Columbia with the objectives of achieving long-term capital appreciation for its shareholders and contributing to the growth in value and employment of the technology industry in British Columbia. The Fund, which raised approximately \$74 million before it stopped offering its shares for purchase, has active investments in nine developing technology companies. To obtain further information about the Fund, please contact a registered advisor or visit [www.sedar.com](http://www.sedar.com) or [www.bcdiscoveryfund.com](http://www.bcdiscoveryfund.com).

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