

# VISION. YIELDS. RESULTS.

ANNUAL REPORT 2019 | 20

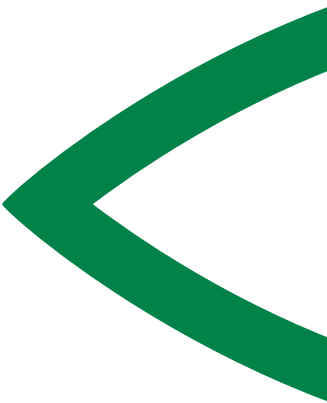


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## Accountability Statement

Alberta Enterprise Corporation was established in December 2008 upon proclamation of the Alberta Enterprise Corporation Act. The Alberta Enterprise Corporation (Alberta Enterprise) Board of Directors is accountable to the Minister of Economic Development, Trade and Tourism (EDTT).



## Vision.

When Alberta Enterprise was created in 2008, it was the product of a bold, forward-looking vision.

First, to create a strong and self-sufficient Alberta-based Venture Capital (VC) industry. Second, to give burgeoning Alberta technology companies access to the resources required to successfully develop new products and compete on the world stage – without having to leave the province.

## Yields.

We made our first investment 10 years ago. Since then, we have seen significant yields emerging on a number of fronts. Dollar values related to our technology fund investments on behalf of Albertans. High value job creation. And yes, quantifiable returns from every dollar invested in Alberta technology companies.

**Our efforts promote economic development, a more resilient and diversified provincial economy, made-in-Alberta technologies and job creation for Albertans.**

## Our Mission

*Alberta Enterprise's mission is to foster a thriving Venture Capital industry in Alberta, one that provides access to Venture Capital and other resources needed to create successful Alberta technology companies.*

*We are invested in supporting entrepreneurial and globally competitive businesses that will create high skilled jobs for Albertans and contribute to a healthy provincial economy for the future Alberta.*

## Results.

To us, results go beyond the bottom line. We have witnessed the impact of collaborating with others in our industry to create an environment that fosters a prosperous and self-sustaining Alberta technology sector. Alberta – with its entrepreneurial mindset – is benefiting from the establishment of a vibrant, engaged, locally-based Venture Capital industry. An industry that is making waves internationally and contributing to Alberta's economy.

Alberta Enterprise and Alberta's technology sector have seen a great deal of progress in this short time. We are confident about the opportunities before us in the years ahead.

AEC has become an asset for the Province of Alberta. Our strengths include:

- Attracting Venture Capital (VC) to Alberta.
- Assisting Alberta tech startups through this VC activity.
- Creating high value technology jobs in the province.
- Generating profitable returns through the funds in which we invest.
- Helping build and promote a viable and profitable tech sector.

Alberta Enterprise is steadily helping to build a dynamic and sustainable environment necessary to support Alberta's foundational industries, alongside a modern technology industry. All indicators reveal the proven VC model is working in Alberta – and is generating results both to the bottom line and beyond.

## Technology is key to a diverse and strong economy of the future.


A healthy tech sector brings high value jobs to Alberta, and it helps the province in its efforts to attract and retain its best and brightest.

Alberta Enterprise focuses our investments toward key growth sectors. This includes industrial technologies that strengthen our resource-based economy, as well as technology sectors that diversify the Alberta economy: such as information technology and life sciences.

## Creating wise investments with Smart Capital.

In compliance with our governing legislation and agreement with the Ministry of Economic Development, Trade and Tourism (EDTT), we are working to fulfill our mission and mandate through investment as a Limited Partner (LP) in Venture Capital funds that meet the criteria outlined in our investment policy, and through targeted initiatives to support, grow and nurture the local VC industry. The province's 1,200+ startup technology companies need smart capital, which includes access to money, mentors and management expertise.

At Alberta Enterprise, we do not invest directly in Alberta companies, but in VC funds that have a track record of success, strong global networks and a demonstrated commitment to the Province of Alberta.



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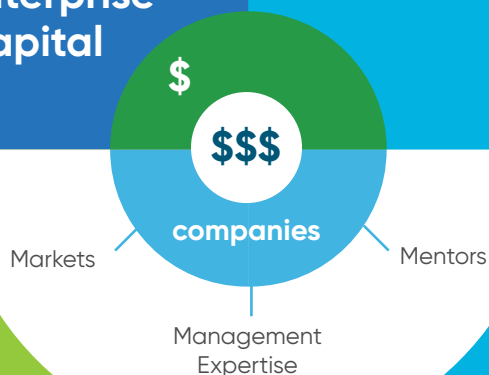
The fund model leverages our capital to create a bigger pool of investments for companies. It adds further value by providing access to markets, mentors and management expertise for Alberta companies. This in-turn accelerates growth.



It is important that Alberta supports its technology industry in this way. If companies aren't connected with the support they need, they will leave to find it elsewhere in other markets.



## Alberta Enterprise Capital



## What makes Alberta Enterprise unique is our investment model.

Alberta Enterprise doesn't give loans or handouts. It is a free enterprise model, where the capital provided by the Government of Alberta to support the technology sector is invested. We expect to return our capital back to the Province – along with an expected return on investment – in a timeframe consistent with the life of a VC fund.

It's an arms-length approach where we contribute to the success of Alberta's emerging technology leaders, while receiving a fair return on investment on behalf of Alberta taxpayers. ***As a result, the Province benefits not only from the potential return on our VC fund investments, but also in the creation of a local VC industry with resident professionals who support the creation of a stronger, more diversified economy.***

Our efforts promote economic development, a more resilient and diversified provincial economy, made-in-Alberta technologies and job creation for Albertans.

# Highlights

**50**  
**Alberta**  
**Companies**

have been supported  
through our VC partnerships

**>\$563**  
**MILLION**  
**OF VC INVESTMENT**  
**INTO ALBERTA**  
**COMPANIES**

**OVER**  
**1,600**  
**DIRECT JOBS**  
**CREATED**

**\$188**  
**MILLION** **COMMITTED**  
**FOR INVESTMENT**

in 19 funds: 32 Degrees II, the Accelerate Fund I and II, Avrio II, Azure III and Azure Opportunities Fund, Builders VC, Chrysalix III, EnerTech IV, iNovia 2011 and 2018, McRock iNFund and Fund II, New Acres Capital, Panache 2018, Relay III, RIO I, Yaletown II and Yaletown Growth Fund.

Every \$1 Invested by  
Alberta Enterprise has  
resulted in more than

**\$4** **OF INVESTMENTS BACK**  
**INTO ALBERTA COMPANIES.**

# Discipline Yields Results

Over the last ten years we have achieved a return on investment in the form of economic development in the region, financial return on the investment, as well as a developing and maturing VC industry. Here are some examples of the successes we have achieved.

## 1. Establishing access to smart capital

Alberta Enterprise has committed \$188 million for investment in 19 funds. In turn, these funds contribute to our economy – and most importantly – provide the essential capital Alberta companies require to successfully bring their products and ideas to market. By investing strategically, we have leveraged our \$188 million capital commitments and created access to >\$2 billion (10:1 leverage).

## 2. Impact beyond Alberta.

Our investments have extended our ecosystem by forging connections to >300 other Limited Partners, over 700 portfolio companies, and 400+ VC firms. We have co-invested with companies such as *Dell, Citrix, Cisco, Shell, Total, Fortum, SABIC, Caterpillar* and *Newalta* to mention a few.

## 3. Investments into Alberta companies.

Our VCs and their partners have already invested over \$563 million in 50 Alberta technology companies. Every \$1 invested by Alberta Enterprise has resulted in more than \$4 of investments back into Alberta companies. The amount of investment in Alberta companies has increased by more than seven times in the last seven years and is expected to grow significantly over the 10-year life of these funds.



**\$563M**  
▶ **50**  
COMPANIES

## 4. Creation of jobs.

The 50 companies that have received Venture Capital from our funds have created more than 1,600 direct jobs and an estimated 7,600 indirect jobs<sup>1</sup> in Alberta.

## 5. Delivering return on investment for Alberta taxpayers.

Every \$1 invested by Alberta Enterprise is currently worth \$1.12, meaning the value of the investments plus distributions received to date exceeds the capital called for investments and management fees. A value that will increase even further as our funds mature.

Our VCs have already had 34 profitable exits, resulting in distributions of \$45 million to Alberta Enterprise.

The realized gains from our investments have outpaced our operating costs since our inception. By adhering to stringent budgeting and operational practices that are respectful of our role as a taxpayer-funded entity, we are delivering on our mandate in a cost-effective way.

Already, the results of our efforts are being realized. In the years since Alberta Enterprise Corporation was created in 2008 a renaissance in Alberta's tech ecosystem has begun. Alberta Enterprise has been instrumental in providing advice, guidance and strategic support to the ecosystem, and our efforts are seen as critical to the VC industry's success.

The value of our investments is expected to grow significantly over the years to come, while also generating more investments in Alberta companies. In turn, this growth will serve to create more high value jobs and tax revenue in the province.

2013	<b>\$79M</b>	→	<b>8</b> COMPANIES
2014	<b>\$171M</b>	→	<b>21</b> COMPANIES
2015	<b>\$280M</b>	→	<b>24</b> COMPANIES
2016	<b>\$305M</b>	→	<b>28</b> COMPANIES
2017	<b>\$375M</b>	→	<b>30</b> COMPANIES
2018	<b>\$406M</b>	→	<b>35</b> COMPANIES
2019	<b>\$494M</b>	→	<b>42</b> COMPANIES
2020	<b>\$563M</b>	→	<b>50</b> COMPANIES

<sup>1</sup> CompTIA Cyberstates 2020 Report and E Moretti, The New Geography of Jobs.



With the double whammy of Covid-19 and a worldwide surplus of oil, it is more important than ever that Alberta diversify its economy and encourage the entrepreneurial Albertans impacted by these changes to rise up and start new ventures and get involved in growing existing ones.

## Message from the Board of Directors Chair





The last fiscal year has been eventful. We have continued to execute on our mandate, have said goodbye to three incredible Board members, maintained our track record for providing strong results, and finished the year by breaking new ground in a world changed by Covid-19.

As the new Chair of Alberta Enterprise, I would like to start by thanking our former Chair, Paul Haggis. For more than 10 years Paul contributed significant time and energy to help shape Alberta Enterprise into the strong organization it is today. We are grateful for his wisdom and experience. He will be missed.

I come to this role as a born-and-raised Albertan who has worked all over the world. As the Chair of Alberta Enterprise, I am honoured to have the chance to give back to my home province. I pledge to do my best to help Alberta Enterprise fulfil its mandate to attract smart Venture Capital to Alberta, as well as to support the local Venture Capital and Angel Capital communities in Alberta – with the overarching objective of providing access to the resources needed to create successful Alberta technology companies.

Keeping in line with the fiscal restraint that our Provincial Government has prioritized over the last year, Alberta Enterprise has done its part to control costs while still actively fulfilling our mandate. At the Board level we have reduced our Board by two positions. Even before Covid-19, we made the decision to conduct more meetings by teleconference to reduce travel costs.

I would like to give a large thank-you to the two Board members, Alice Reimer and Jim Gibson, who departed this last year and thank them for their service and dedication to Alberta Enterprise. I would also like to thank our continuing Board members Sharilee Fossum, Patricia Johnston, Neil Sadaranganey, and Tracey Scarlett for their continued leadership, hard work and unbending focus on achieving excellence in corporate governance.

We are lucky to have an excellent management team, lead by our experienced and forward-looking CEO, Kristina Williams. They are doing great work and are really making a difference in building Alberta's venture community. The success of Alberta Enterprise is a reflection of their relentless focus on achieving our mandate.

With the double whammy of Covid-19 and a worldwide surplus of oil, it is more important than ever that Alberta diversify its economy and encourage the entrepreneurial Albertans impacted by these changes to rise up and start new ventures and get involved in growing existing ones. Alberta Enterprise has and will continue to play an important role in encouraging just that. Since inception Alberta Enterprise has invested \$138 million in 19 new venture funds attracting over \$560 million of investment into 50 Alberta technology startups. As a result more than 9,200 direct and indirect jobs have been created in the province.

Our province has innovative entrepreneurs and great leaders and we will rise to meet the challenges facing us. Out of these challenges will emerge a stronger, more diverse province. Alberta Enterprise is doing its part by supporting our technology community and growing the sources of third-party funding for our innovators.

[originally signed by]

**Ted Redmond**  
Chair

# Message from the Chief Executive Officer



This past year has been record breaking, but we've also been affected by major macroeconomic factors. As a province, we have taken great strides in creating the conditions that foster the development of world-class technology companies right here at home – which is allowing Alberta entrepreneurs to compete globally.

A key factor has been, and will continue to be, our ability to attract smart capital in the form of Venture Capital. Through our investment in funds that support Alberta tech ventures, and our industry development activities, we provide Alberta technology companies with more than just money. We provide them with critical access to markets, mentorship and management expertise.

Our model of investing in VC funds rather than subsidizing business (and picking winners and losers) is a best practices approach: one that is arms-length and market-driven. It allows us to leverage private capital, which can then be accessed by private Alberta-based technology companies. All of this is achieved with relatively limited government involvement.

Our investment model is unique, as we are generating economic development in Alberta, while also creating long-term financial returns for the Province on its original investment. We made our first investments in Venture Capital funds in 2010. Ten years later, we are not only seeing continuing financial returns on our investments: we are also benefiting from tangible economic development in the region, and are witnessing the growth and maturation of a local Venture Capital industry.

2019 was a record-breaking year for the province of Alberta, which posted a 10-year high of VC activity, with a total annual volume of \$227 million, spread across 39 deals, a 40% increase over the next closest year on record according to the Canadian Venture Capital Association.

This included the addition of several exciting new Alberta tech firms to Alberta Enterprise's VC funds – such as Smart Access, Dryryn, Provision Analytics and Honestdoor. Another highlight is the acquisition of Decisive Farming by TELUS. Decisive Farming's success can be directly attributed to a strategic plan allowing Alberta companies to progress from the early angel co-investment stage (through our Accelerate Fund I) to the VC stage (through McRock Capital).

## 2019 was a record-breaking year for the province of Alberta.

A 10-year high of VC activity

A total annual volume of \$227 million

39 deals signed

This represented a **40% increase** over the next closest year on record according to the Canadian Venture Capital Association.

In 2019/20, we recorded the highest distributions in a single year. Our investment income was unfortunately dampened by realized losses at the tail end of the year, largely resulting from impact of two unforeseeable events: a steep decline in energy prices and the global impact of Covid-19. Despite this, every \$1 invested by Alberta Enterprise is currently worth \$1.12, a value that will increase even further as our funds mature. By adhering to stringent budgeting and operational practices that are respectful of our role as a taxpayer-funded entity, we are delivering on our mandate in a cost-effective way. Alberta Enterprise has been a cost-neutral initiative of the Province of Alberta, as income from distributions have outpaced our operating costs since our inception.

To date, we have attracted more than \$560 million of investments into 50 Alberta technology companies. Every \$1 invested by Alberta Enterprise has resulted in more than \$4 of investments back into Alberta companies. This year we put extra focus on attracting investment into our new technologies with StartAlberta.com serving as a connection point between investors and entrepreneurs.

Alberta Enterprise has produced strong short-term results that are transforming the technology and Venture Capital sector in Alberta. We continue to pursue our goal of creating a self-sustaining Venture Capital industry, resulting in a diversified and strong economy where Albertans will benefit from quality jobs, a high standard of living and a broad base of economic opportunities. There are now more Venture Capital funds active in the province than ever before and the investment ecosystem is starting to flourish.

Although Alberta's VC sector has achieved some scale, we are expecting the demand for capital will outpace the supply in the province, in particular for companies at the earlier stages. We are still lagging other technology hubs. Building a Venture Capital industry is a long-term project which requires patience and a continued commitment of capital, as well as ongoing encouragement to foster the Venture Capital community.

We will continue providing solid returns for the Province, shaping Alberta into a formidable knowledge-based economy. Having a strong Venture Capital community in Alberta is imperative to growing a robust economy and generating long-term, high value jobs. With an active and sustainable Venture Capital industry in place, Alberta will be globally recognized as an increasingly competitive and attractive environment that embraces the business opportunities of the future.

On a final note, I would like to thank Jim Gibson and Alice Reimer for their service on our Board of Directors, as well as our former Chair Paul Haggis. Paul was instrumental in leading Alberta Enterprise during our first 10 years as a corporation, and can take great pride in the results we have delivered.

[originally signed by]

**Kristina Williams**  
President and CEO



# Vision. Yields. Success.

Entrepreneurship is a key part of Alberta's rich history as a province, and this is an exciting time of growth for investors and technology companies. Alberta Enterprise portfolio companies are achieving new heights of success through the mentorship and access to Venture Capital that Alberta Enterprise fund investments provide. The data tells us that equity financing has a critical impact upon the health of our tech ecosystem, as showcased through the successes of the following companies.

Drivewyze PreClear service is now the largest weigh station bypass program in North America.

# Drivewyze

Keeping our supply chain moving safely and efficiently has never been more important. There are over five million commercial trucks moving goods in the US and Canada every day, and most are required to make time-consuming stops into weigh stations and inspection sites along their journey – often several times a day. And though truck inspections are necessary to help keep our roads safe, it is impossible for commercial vehicle safety organizations to inspect every truck.

Drivewyze addresses this pain point with PreClear; A weigh station bypass service that streamlines the screening process using advanced wireless technology to automatically pre-clear participating trucks, allowing safe and compliant carriers to legally bypass scale lineups. By pre-clearing vehicles, inspectors are able to automate the determination of which trucks need to report to the weigh station and which can continue to travel on the mainline. The automation allows enforcement agencies to focus on trucks that need more scrutiny and reward trucking companies for their safety records.

The safest fleets can receive bypasses over 95% of the time. Thus saving carriers money on fuel and delivery time, helping drivers avoid the frustration of line-ups and optimizing drive-time, and benefiting the travelling public by reducing congestion at facilities and incentivizing safer driving practices.



Driven by a mission to improve commercial transportation safety and efficiency, Fred Ko and I co-founded Drivewyze. Initially, we worked out of our local coffee shop. The SaaS based Drivewyze PreClear service is now the largest weigh station bypass program in North America, operating in 45 states and 2 provinces. Drivewyze maintains its corporate headquarters in Edmonton with over 120 employees, and has offices in Vancouver and Dallas.

Drivewyze is committed to revolutionizing transportation safety and efficiency with world-class technologies. The company is proud to be headquartered in Edmonton and supported by great organizations like iNovia and Alberta Enterprise.

Inovia has been a longstanding member of Drivewyze's Board, and their contributions to Board governance, corporate strategy and more practical challenges like staff recruiting have been key in helping Drivewyze become the leading connected truck platform in North America.

**Brian Heath,**  
President and CEO

# Accelerate Funds

The Accelerate series of funds was established by Alberta Enterprise to ensure best practices were available to support and encourage more private capital being invested into Alberta's emerging technology sector. Accelerate Fund II continued the work of providing institutional grade funding, knowledge, and due diligence processes to complement and support angel investment in the province – as well as the capital required by technology startups at an early and critical stage of their growth. These companies typically have a product out in the market and a small customer base, yet need the resources to grow their revenues and expand their teams.

We are proud to say that for every dollar Accelerate Fund II invested into Alberta startups, almost three times that amount has been invested by matching angel funds into those same companies to help them grow. With the first portfolio investment already exited in the third year of Accelerate Fund II, another receiving a significant strategic investment, and several others planning their next round of fundraising, there is excellent momentum despite the economic and global health challenges of our current times. The Fund is fulfilling its purpose, and we see no shortage of opportunities on the horizon.

With Accelerate Fund II's portfolio now fully invested three and a half years after its launch, the activity being seen in the early stage technology sector made it quite evident that there was a need for Accelerate Fund III. Early stage Venture Capital funds are typically much smaller than later stage funds due to the size of their investments. This often makes them too small for institutional capital like pension funds to consider as an asset class, despite the vital role early stage funding plays in the life cycle of a technology startup. In our market, such early stage institutional capital would be difficult to come by without Alberta Enterprise. Not only are they able to allocate the capital for a fund of this size, but they have the experience and resources to add real value as a Limited Partner. Whether it be help with deal flow, industry advocacy, or network support, Alberta Enterprise knows what it takes to support a fund manager and ultimately, a technology community.





As our technology sector grows, so does the vision for the Accelerate series of funds. We are seeing more investable early stage companies than ever, with an even distribution between Edmonton and Calgary in Accelerate Fund II's portfolio. This growth continues to attract more and more private capital into early stage ventures. The number of private investors interested in participating either directly or indirectly with Accelerate Fund has grown over time – and our vision for Fund III is to increase the total fund size through more outside private and institutional placements. This will enable the Fund to invest both more broadly in the number of companies added to the portfolio, and more deeply with follow on capital to further support some of those same companies with their ongoing growth.

The continued partnership between Alberta Enterprise Corporation, the A100, and Yaletown Partners in running Accelerate Fund III has resulted in a strong and valuable presence that helps to support Alberta's technology startups. Our team is grateful for the opportunity to be one of the increasing number of players contributing to the story of Alberta's growing technology sector!

**Brad Johns**

Partner, Yaletown Partners



## David Edmonds, Industry Committee Chair, Accelerate Funds

From Accelerate Fund I all the way through to the current Fund III, the A100 Industry Chair David Edmonds has been on the team to help guide the way. David and the A100's involvement since the first fund has provided a level of continuity and support that brings an immense amount of value to the investment team. David's tireless efforts to connect and grow the Alberta technology community have given him a reputation second to none in our province. His operational experience, deep networks, and visibility in the business community give the Accelerate Fund access to numerous investment opportunities and the resources to support those investments.

David has enjoyed a long successful career in technology and energy services in Alberta, holding senior executive roles in sales, marketing, and operations with large international companies including NCR, SHL Systemhouse, and ComputerLand/Computer Innovation. Having been a founding member of six technology companies, he's an active member of the A100 and sits on Accelerate Fund's Limited Partner Advisory Committee through his role as the A100's Industry Committee Chair.

As an active mentor of emerging entrepreneurs through the A100, the Venture Mentoring Service of Alberta (VMSA), and the Rainforest Initiative, David continues to give back to the entrepreneurial community as a unifying voice advocating for the industry with all levels of government. We are truly fortunate to have his participation in the operations and guidance of the Accelerate Funds.

# Decisive Farming

Decisive Farming is an integrated farm management company that connects farmers, farm service and technology providers in one collaborative software platform. The platform acts as the farmer's primary operating system: supporting everything from planning & budgeting, variable rate fertilizer & seeding, agronomic soil testing, field & inventory management, weather, sensors and crop marketing.

Decisive Farming is committed to increasing farmer profitability, sustainability and technology ease-of-use. The platform currently has over six million acres, being used on 40 different crop types in North America while also having strategic partnerships with leading distributors across the agriculture value chain.

Proudly headquartered in Irricana, Alberta with its technology office in Calgary. It is led by 4th generation agribusiness owners with deep experience in agriculture technology and a track record of successful commercialization and exits. Decisive Farming was acquired by TELUS in December 2019.

Alberta Enterprise's Accelerate Fund I was an early investor in the company. McRock Capital then led Decisive Farming's Series A and Series B rounds of financing in 2016 and 2019, respectively. Co-investing alongside of McRock Capital was EDC (Export Development Canada). McRock co-founder, Whitney Rockley, was the Chair of the Board from 2018 until exit. Prior to being appointed Chair, Rockley was a director and fellow co-founder, Scott MacDonald, served as an observer.

McRock's guidance on positioning the company for a strategic exit was instrumental in the successful acquisition of Decisive Farming by TELUS. McRock worked with the co-founders, Remi and Tasha Schmaltz and Garth Donald and the broader management team to systematically understand the acquisition landscape, and ensure its offering, financial performance, strategic roadmap and company culture was of significant value and fit to acquirers.

**"In my journey I connected with over 200 VC's. McRock is unique in their combined approach to investing, supporting and aligning with the start-up and team to truly create a win-win"**

**Remi Schmaltz**  
CEO & Co-founder





# Management's Discussion and Analysis

Alberta Enterprise's operations focus on two key areas:

1. Investment as a Limited Partner in technology Venture Capital funds that finance early-stage, knowledge-based companies.
2. Targeted initiatives to develop the Venture Capital ecosystem and improve the networks connecting entrepreneurs, experienced management, and investors.

## Covid-19 and the Oil Industry

As of the time of writing this Annual Report, Covid-19 restrictions were still very much in effect, with Alberta just entering its recovery plan. The long-term impacts on the portfolio remain to be seen, however we are already seeing some early fair value changes. In 2019/20 our portfolio was also affected by the severe drop in oil prices, impacting the value for companies servicing the energy industry. As a result, we have unfortunately realized some losses in the portfolio value related to our funds focused on energy technology. Alberta Enterprise will continue to monitor the situation and review our investment and industry development strategies. Our goal is to ensure we are in the best position to weather these developments and meet our mission and mandate.

# Operational Overview:

## Investments

Alberta Enterprise was established to build a local Venture Capital industry capable of providing the capital needed to support the growth and success of knowledge-based companies in Alberta. To achieve this, Alberta Enterprise invests as a Limited Partner in technology Venture Capital funds that have, or will establish, **a presence** in the province, staffed with a senior level investment professional.

**By investing in VC funds that finance early-stage, technology startups in Alberta we create access to a much larger pool of capital than the \$175 million Alberta Enterprise Fund, while also creating access to external markets and the expertise of these funds.**

We have targeted three types of funds for investment:

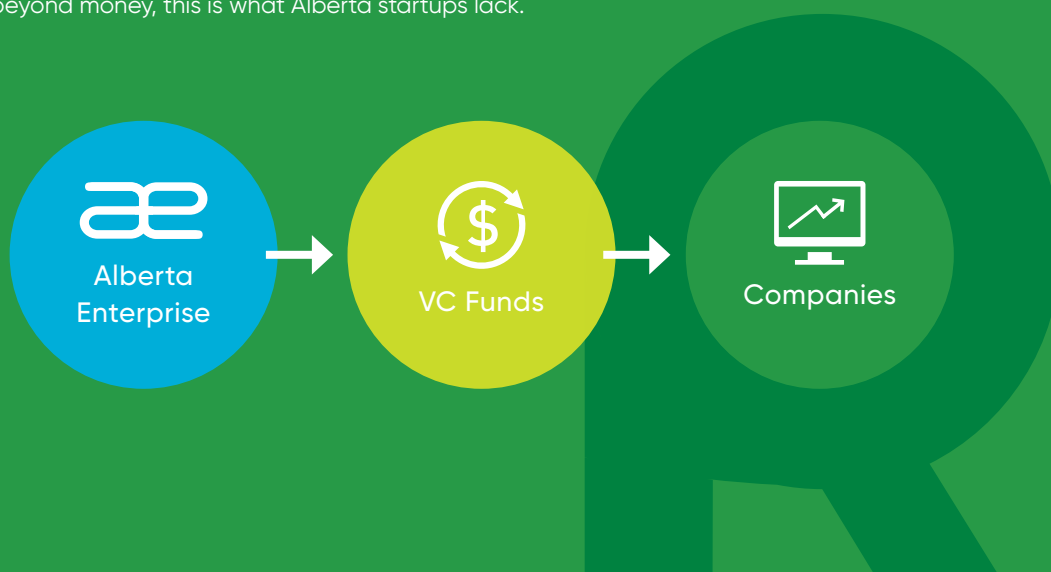
1. North American funds currently headquartered outside Alberta.
2. Funds that are local to Alberta.
3. Funds focused on early stage investments.

**Outside expertise:** A key strategy behind Alberta Enterprise's fund approach is to pull VCs from outside Alberta so that we can leverage their industry and network of experts. It is important to attract established fund managers with startup experience, industry connections and networks – because beyond money, this is what Alberta startups lack.

**Alberta-based funds – internal knowledge:** Equally important is the need to grow and develop Alberta-based funds. Alberta Enterprise has supported locally-based funds, such as Avrio, and we are developing home-grown VC talent through the local representatives of the funds headquartered outside Alberta. We continually meet with new locally-based teams, knowing that it takes time to build a strong Alberta VC fund presence.

**Fit-to-purpose funds:** It is imperative that Alberta Enterprise invests in funds that complement the available deal flow in the province. In 2018, Alberta Enterprise conducted a Deal Flow Study which showed a large portion of the technology companies in Alberta are early stage. It is therefore vital to continue focusing on this stage of investments.

Our strategy is to ensure that funds representing each investment objective are integrated, so that each type can syndicate deals and leverage the networks of the other types. For example, we are encouraging VCs from out-of-province to co-operate with local investors to take advantage of the local deal flow networks – allowing local investors to take advantage of the global networks that external VCs bring. **It is all about networks, relationships and who Alberta entrepreneurs can leverage to compete globally.**



# Goals and Outcomes: Investments

## Outcomes

Increased access to smart venture capital for Alberta companies.

Stimulated investment in knowledge-based industries to strengthen Alberta's economic base.

A stronger Alberta VC and technology ecosystem profile in the province and beyond.

An enhanced ability to attract private / out of province capital to the AB startup ecosystem.

## Results achieved by Alberta Enterprise to date

### *Immediate and intermediate outcomes*

- Alberta Enterprise has committed \$188 million for investment into 17 VC funds and two angel co-investment funds: Accelerate I and Accelerate II.
  - Through these funds, Alberta knowledge-based companies have had access to over \$2 billion in Venture Capital. **We have successfully leveraged our capital investment over 10:1.**
  - We now have **10 General Partners with an active presence in the province of Alberta**, which is a significant increase in the number of VC professionals actively at work in Alberta. Our investments have resulted in eight VC's creating new offices in Alberta, and an additional six expansions of new or existing Alberta VC offices over time. Looking back over the past year, two offices continue to be staffed in Alberta as a result of investments made by Alberta Enterprise (McRock Capital and Azure Capital).
  - Our investments have activated and support **23 venture investment professionals operating in the province of Alberta**, including the Alberta representatives named in our agreements and other associated investment professionals. In addition to these Alberta-based professionals, there is a network of more than 60 senior investment professionals in our funds that work with the Alberta representatives to identify, assess and invest in startups.
  - Alberta Enterprise's investments in funds have generated more than **four times the capital back into Alberta companies**. As of March 31, 2020, **our VCs and their syndicate partners have already invested over \$560 million in 50 Alberta technology companies**. This amount is expected to continue to grow over the 10-year life of these funds.
  - We have deployed capital across all knowledge-based sectors, working toward a **diversified economy** in Alberta.
  - We have developed a **solution to address funding gaps for earlier-stage companies** by launching two angel co-investment Accelerate funds, and investing in a number of funds that include a seed-stage allocation in their investment focus.
- 
- Alberta Enterprise has attracted 9 VC General Partners from outside Alberta or Canada. By attracting VC funds to Alberta, we bring new expertise to the province and connect Alberta entrepreneurs to new markets and opportunities. Seven of the GPs in our portfolio have offices outside of Canada.
  - Through Alberta Enterprise's VC funds, **Alberta entrepreneurs now have access to more than 400 other Canadian and international VC funds**.
  - Our VCs and the Accelerate Fund have **attracted more than \$432 million of syndicate investments** into Alberta technology companies. This shows that Alberta companies not only have access to the capital of the VC funds in our portfolio, but that our funds are also helping Alberta companies to access a significant amount of outside capital.
  - Fifteen of our funds have international investors. We have co-invested with large institutional investors and multi-national companies such as Shell, Total, Fortum, SABIC, Citrix, Cisco and Caterpillar to mention a few. We have actively engaged these co-investors (also called "Limited Partners") to increase awareness of Alberta value-added products.

# Goals and Outcomes: Investments

## Outcomes

A thriving and self-sustaining VC industry in Alberta.

Return to the Province its initial investment capital plus an appropriate rate of return.

## Results achieved by Alberta Enterprise to date

### *Ultimate outcomes*

Alberta knowledge-based companies need access to Venture Capital. Venture Capital is an important source industry for economic development, job creation, as well as innovation. Alberta wishes to move from a largely resource-based economy to one augmented by knowledge-based technology industries. The VC industry is a critical part of the ecosystem that helps move companies from concepts and research to commercial product development. A self-sustaining VC industry will contribute to a more diversified, resilient economy, where Albertans will benefit from high quality jobs, a high standard of living and a broad base of economic opportunities. Additionally, a sustainable VC industry with available capital for investment will make Alberta globally recognized as a competitive business choice.

Alberta Enterprise has been investing in VC funds since 2010. A typical VC fund has a life of 10 to 13 years. As such, it is still too early to predict the full impact of Alberta Enterprise's activities, but as detailed above, over our investment period we have achieved excellent results. Building a self-sustainable VC industry can however take up to 20 years. To achieve this outcome, we need to continue to:

1. Create a VC fund portfolio that provides multi-sector and multi-stage capital aligned with Alberta deal flow
2. Invest in VCs that establish an Alberta focus and presence, and bring key investment skills to Alberta
3. Attract new VCs to Alberta
4. Reinvest in existing high performing funds
5. Find and champion fund solutions that address critical gaps
6. Help build local Alberta-based funds and managers
7. Steward capital responsibly by generating returns on our investments and being an engaged Limited Partner

To build a sustainable VC industry in Alberta ***will require patience and ongoing investments from Alberta Enterprise.***

The investment capital from the Government of Alberta is a ***financial investment, not a cost.*** We expect to return the Province's \$175M investment capital, plus an appropriate return on this investment in a timeframe consistent with the life of a VC fund (approximately 10-13 years).

Due to the nature of venture investing and accounting practices for these investments, our funds are likely to show a loss during the first half of their life. These losses normally reverse as the funds mature and as unrealized and realized gains increase over time.

Our funds have already had 34 profitable exits, which is on-track with expectations for this stage in the life of the funds. The value of the investments plus distributions received to date exceeds the combined cost of the investments and management fees. Every \$1 invested by Alberta Enterprise is currently worth \$1.12, a value that we expect to increase even further as the funds mature.

The financial return to the Province on our initial investment will not fully be known for another 5-10 years.

## Venturing alongside us – our VC partners.

Over the past year, Alberta Enterprise committed an additional \$13.8 million for investment in two funds: 1) McRock II, which focuses on Industrial Internet of Things investments at the Series A-B stages, and 2) the Azure Opportunities Fund, which focuses on ICT companies operating in the seed and early stages leading up to Series A. Both of these funds are investments with existing General Partners that are already generating benefits to the province. In addition, at year end, two additional funds were at the advanced stages of due diligence.

Throughout the year, Alberta Enterprise's investment team continued to monitor and report on the Corporation's limited partnership investments made previously. These include:<sup>2</sup>

**32 Degrees Diversified Energy Fund II** (Services & Technology Co-Invest) – focused on energy technology, with initial investments targeting Series A stage companies.

**Accelerate Funds I and II** – angel co-investment funds targeting Alberta technology companies, with initial investments focused on seed and early stage companies.

**Avrio Ventures II and New Acres Capital** – focused on innovative food and agriculture companies, with initial investments targeting Series A and beyond stage companies.

**Azure Capital Partners III** – focused on the information technology sector, with initial investments targeting post-seed stage companies as well as Series A and beyond.

**Builders VC Fund** – focuses on Series A and later stage investments in industrial innovation.

**Chrysalix Energy III** – focused on the clean and energy technology sectors, with initial investments targeting Series A stage companies.

**EnerTech Capital Partners IV** – focused on the energy and clean technology sectors, with initial investments targeting Series A stage companies.

**iNovia Funds 2011 and 2018** – focused on the information technology sector, with initial investments targeting seed and Series A stage companies.

**McRock iFund** – focused on the “Industrial Internet of Things”, with initial investments targeting Series A stage companies.

**Panache Ventures Investment Fund 2018** – focused on seed stage investments in ICT and other sectors.

**Relay Ventures Fund III** – focused on mobile technology, with initial investments targeting Series A stage companies.

**Yaletown Ventures II** – focused on the information and communications technology and clean technology sectors, with initial investments targeting Series A stage companies.

**Yaletown III Growth Fund** – focused on Series A and later stage investments in companies enhancing sustainability and productivity for industrial and enterprise customers.



<sup>2</sup> An additional investment was made in RIO I Fund, however this fund has subsequently been dissolved.

# Operational Overview: Industry Development

The key to developing a self-sustaining Alberta-based VC industry is cultivating the industry ecosystem surrounding technology startups, technology investors and related networks. This means bringing together and supporting investors, startups and management talent. We have seen continued revitalization and significant growth in Alberta's technology ecosystem over the past year, and Alberta Enterprise has been at the forefront of this success.

Alberta Enterprise works to fill the gaps in the ecosystem and to create meaningful connections between existing organizations. We have been successful in supporting the creation of industry-driven, grassroots organizations that play a critical role in the technology and VC ecosystems. These groups connect Alberta entrepreneurs, startups, investors and mentors within Alberta and outside the province. Some of our initiatives to support the tech companies and the industry ecosystem include:

## 1. Sponsorships: Supporting the growth of the tech ecosystem through supporting ecosystem organizations

Alberta Enterprise relies on building strong relationships and partnerships to ensure that the technology sector grows both in terms of the quality and number of tech companies. This strong deal flow ensures continued investor interest and activity in Alberta, stimulating further growth.

In 2019-2020, Alberta Enterprise supported over 20 organizations and high impact programs, which in turn provided valuable support for Alberta tech companies. Some of these organizations and programs included:

- The Venture Capital Association of Alberta
- Chic Geek and their annual Geeky Summit and new ConnectHER event
- The Banff Venture Forum
- The PROPEL Energy Forum
- Startup Edmonton
- Startup Calgary
- Rainforest Alberta and Rainforest YEG
- The A100 and their AccelerateAB event
- Alberta Innovates Inventure\$ Conference
- McRock Capital Annual IIoT Symposium
- 150 Startups and Innovation Rodeo
- The Start Alberta Tech Awards
- Startup TNT Investor Summit
- Valhalla Angels
- BioAlberta Awards Gala
- TEC Edmonton
- Product Calgary

## 2. Collecting Data & Gaining Insights: Understanding the Ecosystem in Alberta

One of Alberta Enterprise's core objectives is to collect and share accurate data on the tech ecosystem in Alberta. This is facilitated through our various data resources and our strong, relationship-based network of investors, entrepreneurs and supporting organizations. Our network includes the A100, San Francisco-based C100, the Canadian Venture Capital Association (CVCA), the Venture Capital Association of Alberta (VCAA), the Valhalla Angels and Sprout Fund, PwC Canada's MoneyTree Report, the Trade Commission Service offices in San Francisco and Palo Alto, the various Government of Alberta divisions, Alberta tech ecosystem service providers, the hundreds of tech founders we interact with each year (both within and outside of Alberta), and our investor network. These trusted relationships allow us access to a vast amount of information and data, which we use to support Alberta's tech ecosystem.

Through these data relationships we are able to provide a report which serves as a leading yardstick for measuring the health, growth and composition of the Alberta technology and innovation sector. This is supported by real-time data gathered in partnership with:

- StartAlberta.com
- The Alberta Enterprise Tech Deal Flow Study
- The Alberta Innovation Corridor Data Coalition
- The Edmonton Regional Innovation Network (ERIN) Common Portal sub-committee

## 3. Building Alberta's Network and Addressing Gaps in the VC Ecosystem

The StartAlberta.com portal was created to better connect startups with investors. Start Alberta's central Deal Flow Directory was created by Alberta Enterprise, the VCAA and the A100 and has since gained traction with almost 600 startups and 50 investors active on the platform. Today, it is managed by the VCAA and Platform Calgary.

The directory fills a void within the Alberta ecosystem, as a free and open-source central Deal Flow Directory that allows entrepreneurs, investors and external stakeholders to connect with each other, find investment opportunities and support.

Beyond providing a comprehensive list of tech deal flow in the province, the platform provides a critical forum for telling Alberta's entrepreneurial successes story and enticing local and international investors to invest in what Alberta has to offer.

Data partnerships with global databases Crunchbase and Pitchbook also serve to increase Alberta startup exposure to investors worldwide. The collective reach of these platforms exceeds 60 million people – with additional data partnerships to be added.

The newly-founded *Start Alberta Partners* initiative was born from a shared desire between service providers and funds to improve the quality, transparency and availability of startup and investment data in the Alberta innovation ecosystem. This will help connect startups to investors, investment capital, programming and other supports. Service providers see the value in directing startups to make and manage a profile on Start Alberta. These service providers include: Calgary Economic Development (CED), Startup Calgary, Startup Edmonton, TEC Edmonton, Edmonton Health City, the A100, Startup TNT and Platform Calgary.

Meanwhile, the ecosystem benefits from accurate, up-to-date, complete access to Alberta startup data to inform service provider mandates.

Increasingly, the opportunity for the Start Alberta platform to serve as the common entry point for startups to access ecosystem programming, supports and funding based on their industry and stage is being explored.

# Goals and Outcomes: Industry Development

## Outcomes

Stimulated investment in knowledge-based industries to diversify and strengthen Alberta's economy.

## Results achieved by Alberta Enterprise to date

### *Immediate and intermediate outcomes*

To stimulate investment in knowledge-based industries to diversify and strengthen Alberta's economy we have:

- Led and supported events that increase connectivity between entrepreneurs through the continued support of the **AccelerateAB Conference**: co-founded by Alberta Enterprise and presently managed by the A100. In 2019 the re-invigorated format added a sold-out Women in Tech pre-conference event. The conference saw a record 650+ attendees over two days. The incredible growth of this event is a testament to the vibrancy of the tech community and the belief that AccelerateAB serves as an important cornerstone in Alberta's innovation ecosystem.
- Led and supported events that increase connectivity between entrepreneurs and experienced management talent by **creating the A100**: a non-profit, member-driven group of over 100 of Alberta's top technology executives, focused on mentoring and supporting Alberta's next generation of tech entrepreneurs. Alberta Enterprise presented to A100 membership in Calgary and Edmonton to share ecosystem trends and VC investment performance.
- Led and supported events and initiatives that increase connectivity between entrepreneurs and investors. This included:
  - **Startup Edmonton & Startup Calgary Launch Parties** held in both Edmonton and Calgary (with both organizations celebrating their 10-year anniversaries in 2019). This year, Startup Edmonton Startup Week included over 70 events. Total attendance doubled, reaching 4,500 participants – 48% of whom were new to the startup community.
  - A **Founders vs. Funders event**, co-hosted with Startup Edmonton and attended by over 100 people. It brought together Alberta Enterprise funds and local investors to create dialogue between investors and entrepreneurs and foster critical introductions.
  - **The StartAlberta Deal Flow Platform**, created in partnership with the **A100** and managed by the **Venture Capital Association of Alberta (VCAA)** and **Platform Calgary**. StartAlberta is a comprehensive Deal Flow Directory by local and international investors, with 576 companies, 50 investors, 112 organizations and 470 members active on the platform. This directory enables better connections between investors and startups in the ecosystem. Alberta startups also receive greater exposure to international investors through a data partnership with **Crunchbase** and **Pitchbook**, which provide exposure to their 60 million monthly users and professional investors.
  - The inaugural **Startup TNT Investor Summit** – a grassroots angel micro-investment collaborative with a \$125,000 fund. The collaborative of 25 new investors (led by seasoned angel and institutional investors) vetted local seed stage companies. The investors received due diligence and angel investing education. The engagement culminated with the selection of **Drugbank** as the \$125,000 winner, with **2S Water** and **Future Fields** also receiving \$50,000.



# Outcomes

## Results achieved by Alberta Enterprise to date

*Immediate and intermediate outcomes*

- The continued support of **Venture Capital Association of Alberta** events. The **VCAA's** annual conference and Stampede event allowed VCs to share best practices and investment opportunities. The **VCAA** currently has 26 member firms which represent institutional, VC, PE, and strategic investors and advisors. Membership has experienced 18% year-over-year growth since 2012. Both the 2019 VCAA Stampede event and the 2020 Investor Ski Day Conference were sold out events, garnering record attendance from funds across North America, and demonstrating that the VCAA plays an instrumental role in connecting investors, providing education and advocating on behalf of the Venture Capital industry.
- Alberta Enterprise co-hosted the Mentor Networking session at the second **Alberta Innovates Inventure\$ Conference**. We coordinated the participation of Alberta Enterprise portfolio fund managers and A100 membership. Alberta Enterprise also co-hosted the invite-only Banff Fairmont Investor Pitch Sessions, which brought angel and VC investors together with early stage startups and facilitated exposure to international investors.
- Alberta Enterprise was a sponsor of the **CVCA 2019 Invest Canada Conference**, Canada's largest Venture Capital and Private Equity event. The event was held in Vancouver and saw 597 individuals and 255 organizations attend. Alberta Enterprise sponsored the Masterclass in Negotiation and Deal Dynamics session, hosted by Guhan Subramanian, one of the world's foremost authorities in deal-making and corporate law, and Chair of the Negotiation Program at Harvard Business School. The masterclass shed new light on the trends and deal dynamics pervading negotiation theory today. It was the most widely attended session at Invest Canada '19. Alberta Enterprise staff and Board participated in the conference, with Kristina Williams playing an active mentorship role at the **CVCA Young Professionals Lunch**.

Alberta Enterprise sees immense value in connecting investors as a way to build broad investor relationships, and to spur investment syndication, sharing of expertise and deal flow.

Addressing gaps in the VC investment ecosystem.

To address gaps in the VC investment ecosystem we have collected and shared data on the tech ecosystem to enable informed decision making.

- We retained **321 Growth Academy** to undertake the first-ever **Access to Private Capital Project** to better understand the value and breakdown of total private capital accessible to tech startups in Alberta. An exploratory study (which is already underway) will quantify private capital held, managed and invested by private offices, high net worth individuals, angel investors and other investment entities – and will be broken down by investment focus (company stage / maturity, sector). Insights gleaned from this Study will further inform Alberta Enterprise's investment focus and industry development priorities and activities within the Alberta tech ecosystem, as well as build upon learnings uncovered from the Alberta Enterprise Technology Deal Flow Studies.
- Alberta Enterprise has undertaken **Tech Deal Flow Studies** to gather data on the stage, composition and focus of Alberta tech startups. It is the leading yardstick for deal flow data relied upon by investors, ecosystem partners and government.

## Outcomes

Addressing gaps in the VC investment ecosystem.

Expansion of Alberta's tech network and access to resources for technology companies.

## Results achieved by Alberta Enterprise to date

### *Immediate and intermediate outcomes*

Building off the Deal Flow Studies completed in 2009, 2012 and 2016, in 2018, Alberta Enterprise expanded the scope of the survey portion of the study, to uncover more insight into the changes to the Alberta tech ecosystem and the 1,238 tech startups active across varying industries and sectors. Compelling insights have provided clarity around the unique spectrum of innovative tech startups in our province; the challenges they experience, the funding they raise and the stage they occupy – from ideation to exit. Looking forward, Alberta Enterprise has begun a review of best practice technology industry categorizations to inform the next Deal Flow Study.

Facilitated discussions between ecosystem stakeholders to identify and address gaps in the technology ecosystem:

- Actively participated in high-level strategy development of ecosystem initiatives such as the **Alberta Innovation Corridor**, which strives to grow Alberta's presence and establish a comprehensive narrative that attracts investment and opportunity to Alberta. Alberta Enterprise participated in the Alberta Innovation Corridor and coordinated delegations to the first-ever Web Summit conference held in Canada: the **2019 Collision Conference** in Toronto. We were also involved in **Startupfest Montreal 2019**, which saw many Calgary and Edmonton companies participate on behalf of the Alberta technology ecosystem.
- Spearheaded the **Start Alberta Partners** initiative to bring together ecosystem partners to collaborate around a grassroots ecosystem data strategy via the Start Alberta Portal. Participants included: CED, Startup Calgary, Startup Edmonton, TEC Edmonton, the A100, the Accelerate Fund, Platform Calgary, Startup TNT, Technology Alberta and more.
- Participated in the **Alberta Innovation Corridor Data Coalition** as well as the **Edmonton Regional Innovation Network (ERIN) Common Portal sub-committee**. Alberta Enterprise is working to connect disparate points in the ecosystem. This involves collaborating on startup data, and examining the role data plays in better serving our startups and empowering service providers to fulfill their mandates.
- Engaged as members and supporters of the **Calgary Innovation Coalition (CIC)**, a group of organizations in the Calgary region that support innovation-driven entrepreneurs, startups, and enterprises. The CIC collective presents a single vision and voice regarding the priorities of Calgary's innovation community, a unique model for collaboration in Alberta's innovation ecosystem. Alberta Enterprise is contributing ideas on effectively growing the technology ecosystem from an investor's perspective.

To expand Alberta network and access to resources for tech companies we have:

Led and supported events that connect Alberta to other VC ecosystems:

- Through our ecosystem efforts we have **showcased Alberta investment opportunities** to private technology investors across the globe. For example, we sponsor and actively engage with the **C100** (a US-based group of successful, expat Canadians who want to help build the next technology success) to help our entrepreneurs get exposure at US-based events such as the **48 Hours in the Valley**. In 2019, we enabled **Neuraura** and **Stellaralgo**, two Alberta-based startups, to participate in this program, which provides access to high caliber Silicon Valley based mentors and investors. Alberta Enterprise champions Alberta startups through targeted nominations to this formative development and growth opportunity and was involved in **nominating an additional eight companies** for the upcoming cohort, with Director of Industry Development being selected to serve as a **C100 48 Hrs in**

## Results achieved by Alberta Enterprise to date

### Immediate and intermediate outcomes

- the **Valley Selection Committee Member** for the 2020 Cohort. Alberta Enterprise further builds its global network through participation in The **C100 Growth Summit**, providing our province exposure to tech investment-focused CEOs and experts from the Valley and across Canada.
- Through our portfolio VC Azure Capital, we were able to nominate Alberta tech companies for Azure's highly respected 13th annual **CEO Summit** in Mountain View. Azure Capital opened up the event to six early stage tech companies which were not part of their portfolio as a way to support the Canadian tech ecosystem and help Alberta startups develop the depth and breadth of their networks in the Valley. **Two of the four finalist companies invited to attend were Alberta based: Folly Enterprises and Stellaralgo**, selected from over 70 nominated startups as part of Azure's Canada-Bridge initiative. The startups had the distinct opportunity to liaise with over 70 corporate entities, venture funds and financial institutions, including Amazon, Google, Apple, as well as Azure's investor network and portfolio companies.
- We supported portfolio VC McRock Capital's 8th annual **McRock IIoT Symposium**, an exclusive one-day event that features leading corporations, high-growth startups and industry experts in the IIoT space from all over the world. The 2019 event in Montreal brought together Alberta startups such as **Decisive Farming** with globally renowned corporations, including Shell and Caterpillar. The goal was to foster collisions that could lead to future acquisitions or partnerships between startups and corporations.
- Ongoing collaboration with the **Canadian Venture Capital and Private Equity Association (CVCA)** and sponsorship of their annual **Invest Canada** conference. We heightened our visibility and gained access to potential VC partners. Alberta Enterprise facilitated the participation several ecosystem partners and investors – providing access to a network of 597 investor attendees and a deeper understanding of Venture Capital.
- Other events we sponsored, and which provided increased visibility for Alberta's ecosystem included the **Banff Venture Forum** and the **PROPEL Energy Tech Forum**. Alberta Enterprise provided opening remarks at both conferences and hosted the first-ever Investor-hosted speed dating session, with participation from Alberta Enterprise funds.
- We have actively engaged the Limited Partners of our VC funds to **increase awareness of Alberta value-added products**. This included liaising with **Calgary Economic Development (CED)**, **Edmonton Economic Development (EEDC)** and **Edmonton Global** to share resources relating to the unique investment benefits which Alberta offers both to international investors and startups.
- We have leveraged our investment capital to engage VCs, strategic investors, and mentors to attend local events including: AccelerateAB, the Start Alberta Tech Awards, the Banff Venture Forum, the VCAA Conference and the Founders & Funders events.
- We created Start Alberta and gained buy-in for the Deal Flow Directory from investors and startups in the tech ecosystem. We transitioned the platform to the **VCAA** and **Platform Calgary** for continued management and showcasing of Alberta investment deals and tech success stories – whilst expanding our startups' network globally via data partnerships such as **Crunchbase** and **Pitchbook**. By engaging ecosystem players, economic development partners and trade entities such as the **Trade Accelerator Program (TAP)**, we have improved the ability of Alberta startups to gain broad international exposure to both investors and corporations.

## Outcomes

Establishment of a strong and sustainable deal flow pipeline.

## Results achieved by Alberta Enterprise to date

### *Immediate and intermediate outcomes*

To establish a strong and sustainable deal flow pipeline we have:

Led and supported initiatives that have raised the profile of Alberta's tech ecosystem and have increased startup quality:

- Created the **inaugural 2018 Start Alberta Tech Awards** to recognize both individuals and organizations for their contributions to Alberta's innovation ecosystem and those making a significant impact on the province's tech sector. In 2019, Alberta Enterprise hosted the awards in collaboration with founding organizations in Alberta's innovation ecosystem, including The A100, BDC, PwC Canada, Startup Calgary, Startup Edmonton, and the VCAA, along with new sponsors Technology Alberta, TEC Edmonton and Bennett Jones. The awards included a shared reception with the **TEC Edmonton Innovation Awards** and saw over 312 joint reception attendees and 160 ceremony attendees. Alberta Enterprise was the lead organizer and sponsor, presenting the Tech Investor of the Year, the VCAA Rod Charko Service Award, and the Tech Deal of the Year Award. The organizing committee received almost 100 nominations from the Alberta tech community.
- Continued our support of existing organizations such as **Startup Edmonton and Startup Calgary** through their annual Startup and Innovation Week events and Launch Parties. These events reached well over 4,500 people across Alberta.
- Continued sponsorship of the **Bow Valley College 150 Startups Program**, and the **Innovation Rodeo** – an event which support first-time entrepreneurs in colleges and universities across Alberta and helps them catalyze and execute upon startup ideas.
- Sponsored organizations such as **Chic Geek**, and their third **Geeky Summit**: an annual conference and networking event dedicated to women in tech. In its third year, the Summit gave 225 tech-enabled women exposure to leading edge companies, professional development tools and opportunities to discover unfamiliar technologies. Alberta Enterprise's role as lead sponsor of the first-ever **Chic Geek Talent ConnectHER** connected participants with scaleups like **Benevity** and **AltaML**. A number of startups with a focus on diversity sponsored the event, including **Helcim**, **Virtual Gurus** and **Mikata Health**.

# Goals and Outcomes: Industry Development

## Outcomes

A self-sustaining VC industry in Alberta.

## Results achieved by Alberta Enterprise to date

### Ultimate outcomes

Alberta Enterprise works to **fill the gaps** in the ecosystem and to **create links between existing organizations**. We have been successful in supporting the creation of industry-driven, grassroots organizations that play a meaningful role in the innovation investment ecosystem. These include the A100 and the VCAA, and events like Women in Tech, Founders and Funders and AccelerateAB, and now the Start Alberta Deal Flow Portal. Much effort has already been expended in this area, and the results are very promising. However, getting these groups and initiatives to achieve long-term sustainability will require more hands-on support and some additional capital.

Alberta Enterprise also played a supporting role in **the formation of the grassroots led initiative, Rainforest Alberta**, which is led by entrepreneurs and investors from Alberta's tech sector. In 2020 we supported the Edmonton Chapter's Summit and weekly Lunch Without Lunch events, as well as sponsoring the Big Ideas Podcast to shine a light on the stories of Edmonton entrepreneurs. Through our membership on the **Rainforest YEG Steering Committee**, we continue to provide guidance and oversight to the Rainforest initiative as it continues to grow. Rainforest sets the foundational framework needed for Alberta's tech ecosystem by creating a shared vision, mission and collaborative approach for the tech community – and by connecting entrepreneurs to each other. What makes this different from many of the current initiatives across Alberta is the grassroots, entrepreneur-driven approach.

**With a relatively small amount of capital, Alberta Enterprise can effectively and efficiently enhance the Alberta innovation investment ecosystem.** Our approach is highly collaborative. Rather than building a large team within Alberta Enterprise, we take a **lean partnership approach**, working with many public and private organizations to fulfill our mandate. This collaborative approach allows our organization to have a very broad reach, **delivering outcomes far beyond the capacity of our small team, all while keeping operating costs very low.** The key to our success is the engagement of VC's, strategic investors, entrepreneurs and mentors by leveraging our investment capital.

## Operational Overview:

# Operational Budget and Capital Deployment



## Operational Budget and Statement of Operations

The Statement of Operations shows a revenue of \$1.32 million, which includes a \$750,000 operating grant from EDTT for operations. For fiscal 2019–20 the operating cost is \$117,000 below budget. This is mainly due to prudent management of our expenses, as well as one-time savings relating to our fund investments.

The net operating deficit for fiscal 2019–2020 is \$967,000. Since the majority of our operating costs are self-funded, we expect an annual operating deficit which is offset by realized gains from our investments. The result is an annual surplus of \$1.32 million. The net investment income of \$2.29 million is due to a combination of realized investment gains and operational losses of the Limited Partnerships, of which Alberta Enterprise is an investor. Alberta Enterprise records a proportionate share of any realized gains or losses of the Limited Partnerships. Changes in value form part of net assets and are not captured as income or losses (i.e. realized) until the investments are sold by the Limited Partnerships. *Therefore, rather than looking at the results for individual years, it is important to review the total value of paid in capital (TVPI) over time. Our portfolio is currently showing a TVPI of 1.12. A TVPI of >1 means the value of the investment is above the total amount of capital paid, including management fees.*

The above is consistent with Canadian Public Sector accounting standards for investments in Limited Partnerships in both the Private Equity and Venture Capital industries.


## Capital Deployment and Investments

To date and in the fiscal year 2019–2020, Alberta Enterprise's financial statements show total capital committed for investment of \$188 million. Seven of our nineteen investments are in US dollars and the total capital committed is therefore impacted by the weaker Canadian dollar as compared to the US dollar.

In fiscal year 2019–2020, Alberta Enterprise disbursed \$16.6 million to the Limited Partnerships in which we have invested, in order to meet their funding requirements for both investments and operational expenses. The balance of committed capital is held as cash until such time as is it drawn down upon.

Currently the Corporation has \$25.9 million in cash on hand, and another \$50 million in accounts receivable from the Alberta government. This is more than sufficient to cover the remaining commitments of \$50 million.

For the fiscal year ended 2019–20 our Partnership investments were valued at \$112 million.



# Looking Ahead

There are now more Venture Capital funds active in the province than ever before and the investment ecosystem is starting to flourish. Alberta's Venture Capital performance skyrocketed in 2019 with total Alberta VC deal volume of \$227M – breaking all previous records for VC in the province, and surpassing the next highest year (\$162 million in 2013) by a margin of 40%!<sup>3</sup> However, Alberta is still lagging other technology hubs, and although Alberta's VC sector has achieved some scale we are expecting the demand for capital will outpace the supply in the province.

Building a Venture Capital industry is a long-term project which requires patience and a continued commitment of capital. We are now continuing to build upon the success that we have already achieved and look forward to creating further return on investment for Alberta.

<sup>3</sup> "Venture Capital Canadian Market Overview 2019", CVCA Canadian Market Overview

# Corporate Governance Statement

## Management of the Company

The business and affairs of the Corporation are managed by or under the direction or supervision of the Board of Directors (the Board). The Board exercises all powers of the company not required to be exercised by the shareholders.

## Board of Directors

The Board meets four to eight times per year and as required for strategic planning purposes and to progress specific decisions. The Board is accountable to the shareholder, the Minister of Economic Development, Trade and Tourism, in the manner set out in the Alberta Enterprise Corporation Act, Alberta Enterprise Corporation Regulation and the Alberta Enterprise Corporation Transfer Agreement.

The Board establishes strategic policy, guides and monitors the business and affairs of the Corporation on behalf of the shareholder, and is committed to a high standard of corporate governance. Responsibility for the operation and administration of the company is delegated to the President and CEO, who is accountable to the Board. In particular, the Board places emphasis on implementation of Venture Capital best practices, sound administrative systems and procedures, and regulatory compliance.

The directors are appointed by the Lieutenant Governor in Council. A director holds office for a term fixed in the order appointing the director, which term must not exceed three years. Alberta Enterprise's Board of Directors presently includes five external and independent members.

## Governance Review

A governance review is undertaken annually, to ensure the effectiveness of governance structures.

## Conflict of Interest Policy and Procedures

As outlined in the Alberta Enterprise Code of Conduct and Ethical Standards, a conflict of interest exists when an individual's private interests interfere or conflict with, or appear to interfere or conflict with, the interests of the Corporation. A conflict situation may arise when an employee, officer, or director takes actions or has interests that may make it difficult to perform his or her professional obligations objectively and effectively or when he or she otherwise takes action that is inconsistent with the interests of the Corporation for his or her direct or indirect benefit or for the direct or indirect benefit of a third party. A conflict of interest may also arise when an employee, officer or director, or a member of his or her family, receives improper personal benefits as a result of his or her position in the Corporation, whether received from the Corporation or a third party. Loans to or guarantees of obligations of employees or any of their respective family members are likely to amount to conflicts of interest as are transactions of any kind between the Corporation and any other entity in which an employee, officer or director has a material interest.

Conflicts of interest are prohibited as a matter of corporate policy, except as specifically approved by the Corporation's Board of Directors and in accordance with applicable laws and regulations. It is not always easy to determine whether a conflict of interest exists, so any potential conflicts of interest must be reported immediately to senior management.





# Financials

# Management's Responsibility for Reporting

Alberta Enterprise's management is responsible for the preparation, accuracy, objectivity and integrity of the information contained in the annual report, including the financial statements, performance results, and supporting management information. Systems of internal control are designed and maintained to produce reliable information that meets reporting requirements, and to ensure that transactions are properly authorized, reliable financial records are maintained, assets are properly accounted for and safeguarded, and relevant legislation and policies are complied with. Corporate business plans, performance results and the supporting management information are also integral to both financial and performance reporting.

The annual report has been approved by the Board of Directors and is prepared in accordance with Ministerial guidelines.

The Auditor General of Alberta, the Corporation's external auditor appointed under the Auditor General Act, performs an annual independent audit of Alberta Enterprise's financial statements in accordance with Canadian generally accepted auditing standards.

## Independent Auditor's Report

To the Board of Directors of Alberta Enterprise Corporation

### Report on the Financial Statements

#### Opinion

I have audited the financial statements of Alberta Enterprise Corporation (the Corporation) which comprise the statement of financial position as at March 31, 2020, and the statements of operations, remeasurement gains and losses, change in net financial assets, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2020, and the results of its operations, its remeasurement gains and losses, its changes in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

#### Basis for opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Corporation in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### Other information

Management is responsible for the other information. The other information comprises the information included in the *Annual Report*, but does not include the financial statements and my auditor's report thereon. The *Annual Report* is expected to be made available to me after the date of this auditor's report.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I will perform on this other information, I conclude that there is a material misstatement of this other information, I am required to communicate the matter to those charged with governance.

## **Responsibilities of management and those charged with governance for the financial statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless an intention exists to liquidate or to cease operations, or there is no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

## **Auditor's responsibilities for the audit of the financial statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

[Original signed by W. Doug Wylie FCPA, FCMA, ICD.D]  
Auditor General

June 19, 2020  
Edmonton, Alberta

# STATEMENT OF OPERATIONS

Year Ended March 31, 2020

<i>(in thousands)</i>	2020		2019
	Budget	Actual	Actual
<b>Revenues</b>			
Government Transfers			
Government of Alberta Grants	\$ 750	\$ 750	\$ 5,750
Other Revenue	–	16	3
	750	766	5,753
<b>Expenses (Note 2(b), Schedule 1)</b>			
Operating Costs	1,850	1,733	1,847
<b>Annual Operating Surplus (Deficit)</b>	<b>(1,100)</b>	<b>(967)</b>	3,906
<b>Net Investment Income (Loss) (Note 7)</b>			
Investment Income (Loss)		5,860	3,105
Investment Operational Expense		(3,570)	(5,025)
		2,290	(1,920)
<b>Annual Operating (Deficit) Surplus</b>	<b>(1,100)</b>	<b>1,323</b>	1,986
<b>Accumulated Surplus at Beginning of Year</b>		158,084	156,098
<b>Accumulated Surplus at End of Year</b>	<b>\$</b>	<b>159,407</b>	<b>\$ 158,084</b>

The accompanying notes and schedules are part of these financial statements.

Approved by the Board of Directors

[originally signed by]

Ted Redmond  
Chair of the Board of Directors  
June 19, 2020

[originally signed by]

Sharilee Fossum  
Audit Committee Chair  
June 19, 2020

# STATEMENT OF FINANCIAL POSITION

As At March 31, 2020

<i>(in thousands)</i>	2020	2019
	Actual	Actual
<b>Financial Assets</b>		
Cash (Note 5)	\$ 25,879	\$ 27,094
Accounts Receivable (Note 6)	50,000	50,000
Portfolio Investments (Note 7)	111,992	115,756
	187,871	192,850
<b>Liabilities</b>		
Accounts Payable and Accrued Liabilities	136	434
<b>Net Financial Assets</b>	187,735	192,416
<b>Non-Financial Assets</b>		
Prepaid Expenses	371	191
<b>Net Assets</b>	188,106	192,607
<b>Net Assets</b>		
Accumulated Surplus	159,407	158,084
Accumulated Remeasurement Gains	28,699	34,523
	\$ 188,106	\$ 192,607
Contractual Obligations (Note 9)		

The accompanying notes and schedules are part of these financial statements.

# STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

Year Ended March 31, 2020

<i>(in thousands)</i>	2020		2019
	Budget	Actual	Actual
<b>Annual Surplus (Deficit)</b>	<b>\$ (1,100)</b>	<b>\$ 1,323</b>	<b>\$ 1,986</b>
Net Remeasurement (Losses) Gains (Note 7)		<b>(5,824)</b>	12,553
Increase in Prepaid Expenses		<b>(180)</b>	(187)
<b>(Decrease) Increase in Net Financial Assets in the Year</b>		<b>(4,681)</b>	14,352
<b>Net Financial Assets at Beginning of Year</b>		<b>192,416</b>	178,064
<b>Net Financial Assets at End of Year</b>	<b>\$</b>	<b>187,735</b>	<b>\$ 192,416</b>

The accompanying notes and schedules are part of these financial statements.



# STATEMENT OF CASH FLOWS

Year Ended March 31, 2020

<i>(in thousands)</i>	2020	2019
	Actual	Actual
<b>Operating Transactions</b>		
Annual Surplus	\$ 1,323	\$ 1,986
Non-cash Items included in annual surplus:		
Deferred Contributions recognized as Revenue (Note 8)	–	(5,000)
(Gain) Loss on Sale of Portfolio Investments (Note 7)	(2,290)	1,920
	(967)	(1,094)
Decrease in Accounts Receivable	–	4
Decrease in Accounts Payable and Accrued Liabilities	(298)	(44)
Increase in Prepaid Expense	(180)	(187)
Cash Applied to Operating Transactions	(1,445)	(1,321)
<b>Investing Transactions</b>		
Purchase of Portfolio Investments (Note 7)	(16,631)	(17,410)
Distributions received from Limited Partnerships (Note 7)	16,861	9,274
Cash Provided by (Applied to) Investing Transactions	230	(8,136)
<b>Decrease in Cash</b>	<b>(1,215)</b>	<b>(9,457)</b>
<b>Cash at Beginning of Year</b>	<b>27,094</b>	<b>36,551</b>
<b>Cash at End of Year</b>	<b>\$ 25,879</b>	<b>\$ 27,094</b>

The accompanying notes and schedules are part of these financial statements.

# STATEMENT OF REMEASUREMENT GAINS AND LOSSES

Year Ended March 31, 2020

<i>(in thousands)</i>	2020	2019
	Actual	Actual
Unrealized (Losses) Gains Attributable to:		
Portfolio Investments	\$ (5,493)	\$ 15,178
Foreign Exchange	3,239	1,689
Amounts Reclassified to the Statement of Operations:		
Portfolio Investments - Realized Gains on Investments	(3,570)	(4,314)
Net Remeasurement (Losses) Gains for the Year (Note 7)	(5,824)	12,553
<b>Accumulated Remeasurement Gains at Beginning of Year</b>	<b>34,523</b>	<b>21,970</b>
<b>Accumulated Remeasurement Gains at End of Year</b>	<b>\$ 28,699</b>	<b>\$ 34,523</b>

The accompanying notes and schedules are part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

March 31, 2020

## Note 1 Authority

The Alberta Enterprise Corporation (the Corporation) is a Provincial Corporation that operates under the authority of the Alberta Enterprise Corporation Act.

The Corporation was established on December 5, 2008 and is part of a strategy to encourage technology commercialization and promote growth in Alberta's venture capital industry.

The Corporation is exempt from income taxes under the *Income Tax Act*.

## Note 2 Summary of Significant Accounting Policies and Reporting Practices

These financial statements are prepared in accordance with Canadian Public Sector Accounting Standards.

### (a) Reporting Entity

The reporting entity is the Corporation, which is part of the Ministry of Economic Development, Trade and Tourism (the Ministry) and for which the Minister of Economic Development, Trade and Tourism (the Minister) is accountable. Other entities accountable to the Minister are the Department of Economic Development, Trade and Tourism (the Department), Alberta Innovates and Travel Alberta. The activities of these organizations are not included in these financial statements.

The Ministry Annual Report provides a more comprehensive accounting of the financial positions and results of the Ministry's operations for which the Minister is accountable.

### (b) Basis of Financial Reporting

#### Revenues

All revenues are reported on the accrual basis of accounting. Cash received for which goods or services have not been provided by year end is recognized as unearned revenue and recorded in accounts payable and other accrued liabilities.

#### Government transfers

Transfers from all governments are referred to as government transfers.

Government transfers are recognized as deferred contributions if the eligibility criteria for use of the transfer, or the stipulations together with the Corporation's actions and communications as to the use of the transfer, create a liability. These transfers are recognized as revenue as the stipulations are met and, when applicable, the Corporation complies with its communicated use of these transfers.

All other government transfers, without stipulations for the use of the transfer, are recognized as revenue when the transfer is authorized and the Corporation meets the eligibility criteria (if any).

#### Investment Income

Investment income includes dividend and interest income and realized gains or losses on the sale of portfolio investments. Unrealized gains and losses on portfolio investments that are not from restricted transfers, donations or contributions are recognized in the Statement of Remeasurement Gains and Losses until the related investments are sold. Once realized, these gains or losses are recognized in the Statement of Operations.

**Note 2 Summary of Significant Accounting Policies and Reporting Practices (Continued)**

**(b) Basis of Financial Reporting (Continued)**

**Expenses**

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year are expensed.

Grants and transfers are recognized as expenses when the transfer is authorized and eligibility criteria have been met by the recipient.

**Valuation of Financial Assets and Liabilities**

The Corporation's financial assets and liabilities are generally measured as follows:

<b>Financial Statement Component</b>	<b>Measurement</b>
Cash	Cost
Accounts Receivable	Lower of cost or net recoverable value
Portfolio investments	Fair value
Accounts payable and accrued liabilities	Cost

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. The fair values of Cash, Accounts Payable and Accrued Liabilities are estimated to approximate their carrying values, because of the short term nature of these instruments.

**Financial Assets**

Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations.

Financial assets are the Corporation's financial claims on external organizations and individuals at the end of the year.

**Cash**

Cash comprises of cash on hand and demand deposits.

**Accounts Receivable**

Accounts receivable are recognized at the lower of cost or net recoverable value. A valuation allowance is recognized when recovery is uncertain.

**Portfolio Investments**

Portfolio investments in Limited Partnerships are recognized at fair value. Fair value is determined by the limited partnerships based upon valuation techniques considered appropriate by the Corporation and may include techniques such as discounted cash flows, prevailing market values for instruments with similar characteristics and other pricing models as appropriate. The Corporation relies upon the General Partner's valuation of the investments in the Limited Partnerships.

Unrealized gains and losses from changes in the fair value of portfolio investments are recognized in the Statement of Remeasurement Gains and Losses. Once realized, the cumulative gain or losses previously recognized in the Statement of Remeasurement Gains and Losses are recognized in net investment income.

Portfolio investments are reviewed on an annual basis for impairment. When there is a loss in the Corporations share of investment other than a temporary decline then the loss is adjusted and recognized in the Statement of Operations.

## Note 2 Summary of Significant Accounting Policies and Reporting Practices (Continued)

### (b) Basis of Financial Reporting (Continued)

#### Liabilities

Liabilities are present obligations of the Corporation to external organizations and individuals arising from past transactions or events occurring before the year end, the settlement of which is expected to result in the future sacrifice of economic benefits. They are recognized when there is an appropriate basis of measurement and management can reasonably estimate the amounts.

Liabilities also include:

- all financial claims payable by the Corporation at the year end; and
- accrued employee vacation entitlements.

#### Foreign Currency Translation

Transaction amounts denominated in foreign currencies are translated into their Canadian dollar equivalents at exchange rates prevailing at the transaction dates. Carrying values of monetary assets and liabilities and non-monetary items included in the fair value category reflect the exchange rates at the Statement of Financial Position date. Unrealized foreign exchange gains and losses are recognized in the Statement of Remeasurement Gains and Losses.

In the period of settlement, foreign exchange gains and losses are reclassified to the Statement of Operations, and the cumulative amount of remeasurement gains and losses are reversed in the Statement of Remeasurement Gains and Losses.

#### Non-Financial Assets

Non-financial assets are acquired, constructed, or developed assets that do not normally provide resources to discharge existing liabilities, but instead:

- (a) are normally employed to deliver government services;
- (b) may be consumed in the normal course of operations; and
- (c) are not for sale in the normal course of operations.

Non-financial assets are limited to prepaid expenses.

#### Measurement Uncertainty

Measurement uncertainty exists when there is a variance between the recognized or disclosed amount and another reasonably possible amount. Portfolio investments recognized at \$111,992 (2019 – \$115,756) in the financial statements are subject to measurement uncertainty.

Measurement uncertainty exists with the determination of the fair value of the investments. The fair value of the investments is estimated by the General Partner of each fund. The process of valuing investments for which no published market exists is inevitably based on inherent uncertainties and the resulting values may differ from value that would have been used had a ready market existed for the investments.

As a result of the COVID-19 outbreak, declared a global pandemic on March 11, 2020, global financial markets and world economies have experienced significant volatility. Given the extent of the crisis, and varying levels of response and recovery of countries across the globe, additional uncertainty remains and will continue to exist with regards to fair value measurement of the Corporation's investments.

### Note 3 Future Accounting Changes

The Public Sector Accounting Board has issued the following accounting standard:

- **PS 3280 Asset Retirement Obligations (effective April 1, 2021)**

Effective April 1, 2021, this standard provides guidance on how to account for and report liabilities for retirement of a tangible capital assets.

- **PS 3400 Revenue (effective April 1, 2022)**

This standard provides guidance on how to account for and report on revenue, and specifically, it addresses revenue arising from exchange transactions and unilateral transactions.

Management is currently assessing the impact of these standards on the financial statements.

### Note 4 Budget

*(in thousands)*

A preliminary business plan with budgeted deficit of \$1,100 was approved by the Board on November 27, 2019 and the full financial plan was submitted to the Minister of Economic Development, Trade and Tourism. The budget reported in the Statement of Operations reflects the \$1,100 deficit.

### Note 5 Cash

*(in thousands)*

	2020	2019
Cash	\$ 25,879	\$ 27,094

\$49,726 (2019 - \$62,033) (Note 7) is committed for partnership capital contributions. In addition to cash, distributions from the Limited Partnerships and the \$50,000 Accounts Receivable can be used toward future cash calls.

### Note 6 Accounts Receivable

*(in thousands)*

Accounts receivable are unsecured and non-interest bearing.

	2020	2019
Grant Receivable	\$ 50,000	\$ 50,000

## Note 7 Portfolio Investments

(in thousands)

The Government of Alberta originally allocated \$100,000 in 2008 for investments in Limited Partnerships that provide venture capital in knowledge-based industries. An additional \$25,000 was allocated in 2016 and \$50,000 was allocated in 2017 for additional investments in Limited Partnerships.

The Corporation is a Limited Partner in nineteen (2019 – seventeen) Limited Partnerships and \$187,734 (2019 – \$183,411) has been contributed and committed to these Limited Partnerships. Committed funds are paid into the Limited Partnership in amounts and at times determined by the General Partner in order to meet the Limited Partnerships funding requirements. Distributions from the Limited Partnerships can be used toward future cash calls from the fund which distributed the capital. The Corporation's contributions to date and commitments are as follows:

Limited Partnerships	Funds Disbursed to Partnerships for Investments <sup>(a)</sup>	Remaining Commitments	Total Funds Disbursed and Committed, End of the Year
32 Degrees D.E.Fund II (S&T AIV)	\$ 9,816	\$ 184	\$ 10,000
Accelerate Fund I	10,000	–	10,000
Accelerate Fund II	5,577	4,423	10,000
Avrio Ventures II	5,965	35	6,000
Azure Capital Partners III <sup>(b)</sup>	10,820	521	11,341
Azure Opportunities Feeder Fund <sup>(a)</sup>	1,059	1,702	2,761
Builders VC Fund <sup>(b)</sup>	5,408	4,858	10,266
Chrysalix Energy III Fund <sup>(b)</sup>	15,739	1,261	17,000
EnerTech Capital Partners IV <sup>(b)</sup>	17,242	1,329	18,571
iNovia Fund 2018 <sup>(b)</sup>	1,444	12,626	14,070
iNovia Fund III	10,000	–	10,000
McRock Fund II	868	9,132	10,000
McRock iNfund	9,364	636	10,000
New Acres Capital Ag & Food Limited Partnership	4,463	537	5,000
Panache Ventures Investment Fund	2,250	2,750	5,000
Relay Ventures Fund III <sup>(b)</sup>	9,693	3,832	13,525
RIO I Limited Partnership	200	–	200
Yaletown Innovation Growth	4,100	5,900	10,000
Yaletown Ventures II	14,000	–	14,000
<b>Total</b>	<b>\$ 138,008</b>	<b>\$ 49,726</b>	<b>\$ 187,734</b>

<sup>(a)</sup> Funds disbursed during the year include management fees of \$2,509 (2019 - \$2,889). Management fees may be recovered from Limited Partnerships in accordance with the Limited Partnership agreements. Total funds disbursed at the end of the year include management fees of \$26,058 (2019 Restated - \$23,549).

<sup>(b)</sup> Commitments payable in USD. Remaining commitments based on the exchange rate at March 31, 2020.

## Note 7 Portfolio Investments (Continued)

(in thousands)

The changes in the fair values of the Corporation's investments in Limited Partnerships since April 1, 2019 are as follows:

Limited Partnerships	Investment in Partnerships, beginning of year	Funds Disbursed to Partnerships for Investments	Distributions received from Limited Partnerships	Remeasurement Gain (Loss)	Net Investment Income (Loss)	Investment in Partnership, end of year	Percentage share of Partnership 2020	Percentage share of Partnership 2019
32 Degrees D.E.Fund II (S&T AIV) <sup>(b)</sup>	3,185	17	(18)	(45)	(1,743)	1,396	99.99%	99.99%
Accelerate Fund I	9,683	—	(2,838)	907	1,107	8,859	99.99%	99.99%
Accelerate Fund II	3,266	1,777	(152)	87	(472)	4,506	95.46%	99.99%
Avrio Ventures II	5,537	—	(1,458)	(3,350)	1,985	2,714	6.56%	6.56%
Avrio Ventures III (New Acres)	2,258	894	—	(182)	(1,730)	1,240	4.98%	4.90%
Azure Capital Partners III <sup>(a)</sup>	14,122	135	—	3,468	(373)	17,352	12.42%	12.42%
Azure Opportunities Feeder Fund <sup>(a)</sup>	—	1,059	—	67	(236)	890	19.70%	—
Builders VC Fund <sup>(a)</sup>	3,644	1,606	—	1,202	(237)	6,215	4.37%	32.67%
Chrysalix Energy III Fund <sup>(a)</sup>	18,165	520	—	(6,088)	(310)	12,287	10.32%	10.32%
EnerTech Capital Partners IV <sup>(a)</sup>	12,227	1,091	(5,247)	(3,272)	714	5,513	12.66%	12.66%
iNovia Fund 2018 <sup>(a)</sup>	—	1,444	—	(19)	(483)	942	5.01%	6.67%
iNovia Fund III	17,365	—	(3,354)	(1,807)	3,315	15,519	9.04%	9.04%
McRock Fund II	—	868	—	—	(234)	634	9.57%	—
McRock iNfund	5,448	2,765	(3,268)	775	1,665	7,385	14.22%	14.22%
Panache Ventures Investment Fund	1,996	—	—	505	(154)	2,347	8.61%	12.12%
Relay Ventures Fund II <sup>(a)</sup>	6,467	2,255	—	2,054	(467)	10,309	6.80%	7.30%
RIO I Limited Partnership	200	—	—	—	—	200	12.90%	6.06%
Yaletown Innovation Growth	2,161	2,200	—	443	(289)	4,515	7.82%	8.47%
Yaletown Ventures II	10,032	—	(526)	(569)	232	9,169	15.58%	15.58%
Total Portfolio Investments 2020	115,756	16,631	(16,861)	(5,824)	2,290	111,992		
Total Portfolio Investments 2019	96,987	17,410	(9,274)	12,553	(1,920)	115,756		

<sup>(a)</sup> Investments in the US Limited Partnerships

<sup>(b)</sup> Impairment of \$1,678 is included in Net Investment Income (Loss)



## Note 7 Portfolio Investments (Continued)

(in thousands)

### Fair Value Hierarchy

Management is responsible for estimating the relative reliability of data or inputs used by the Corporation to measure the fair value of the Corporation's investments. The measure of reliability is determined based on the following three levels:

**Level One:** Fair value is based on unadjusted quoted prices in active markets for identical assets or liabilities traded in active markets. Level one primarily includes publicly traded listed equity investments.

**Level Two:** Fair value is based on valuation methods that make use of inputs, other than quoted prices included within level one, that are observable by market participation either directly through quoted prices for similar but not identical assets or indirectly through observable market information used in valuation models. Level two primarily includes debt securities and derivative contracts not traded on a public exchange and public equities not traded in an active market. For these investments, fair values are either derived from a number of prices that are provided by independent pricing sources or from pricing models that use observable market data such as swap curves and credit spreads.

**Level Three:** Fair value is based on valuation methods where inputs that are based on non-observable market data have a significant impact on the valuation. For these investments trading activity is infrequent and fair values are derived using valuation techniques.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. An investment's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the Corporation. The Corporation considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, provided by multiple, independent sources that are actively involved in the relevant market. The categorization of an investment within the hierarchy is based upon the pricing transparency of the investment and does not necessarily correspond to the Corporation's perceived risk of that investment.

The Corporation's investments have all been classified within level three as the fair value is based on valuation methods where inputs that are based on non-observable market data have a significant impact on valuation. When observable prices are not available for these securities the Limited Partnerships use one or more valuation techniques (e.g. the market approach, the income approach) for which sufficient and reliable data is available. Within level three, the use of the market approach generally consists of using comparable market transactions, while the use of the income approach generally consists of the net present value of the estimated future cash flows, adjusted as appropriate for liquidity, credit, market and/or other risk factors.

As quoted market prices are not readily available for private investments, estimated fair values may not reflect amounts that could be realized upon immediate sale, nor amounts that may ultimately be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments.

## Note 7 Portfolio Investments (Continued)

(in thousands)

### Financial Risk Management

The Corporation is exposed to a variety of financial risks associated with the underlying securities held in the Limited Partnerships. These financial risks include market risk and liquidity risk. Market risk is the risk of loss from unfavourable change in fair value or future cash flows of a financial instrument causing financial loss. Market risk is comprised of price risk and foreign currency risk.

#### (a) Price Risk

The Corporation's price risk is driven primarily by volatility in its venture capital investments. The Corporation generally invests in Limited Partnerships in the initial stages of development. Because of the inherent uncertainty of valuations, estimated fair values may differ significantly from the values that would have been used had a ready market for the securities existed, and the difference could be material.

#### (b) Foreign Currency Risk

The Corporation is exposed to foreign currency risk associated with the underlying securities held in investment funds that are denominated in currencies other than the Canadian dollar. Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The fair value of investments denominated in foreign currencies is translated into Canadian dollars using the reporting date exchange rate.

The value of the Corporation's investments in Limited Partnerships denominated in foreign currencies may change due the changes in exchange rates. \$53,508, or 48% of the Corporation's investment, are denominated in US dollars (2019 - \$54,625, or 47%).

If the value of the Canadian dollar increased by 10% against the U.S. dollar, and all other variables are held constant, the potential loss in fair value to the Corporation would be approximately 4.8% of total investments (2019 - 4.7%).

#### (c) Liquidity Risk

Liquidity risk is the risk that a given investment or asset cannot be traded quickly enough in the market to prevent a loss.

The Corporation's investments are long term and highly illiquid. There is no assurance that the Corporation will ultimately realize the carrying value of the investments.

To manage these risks, the Corporation has established policies around the type of Limited Partnerships that it invests in. In addition, each limited partnership has established a target mix of investment types designed to achieve the optimal returns within reasonable risk tolerance and in accordance with the Limited Partnership's investment mandate. The Corporation does not participate in any foreign currency hedging activities.

Investment commitments exceed cash on hand, and management plans to use future distributions from the Limited Partnerships to meet the commitments.

#### (d) Other Risks

The Corporation is not exposed to significant credit and interest risk.

**Note 8 Deferred Revenue***(in thousands)*

	2020 Government of Alberta	2019 Government of Alberta
Balance, beginning of year	\$ –	\$ 5,000
Contributions receivable during the year	–	–
Less: amounts recognized as revenue	–	(5,000)
Balance, end of year	\$ –	\$ –

**Note 9 Contractual Obligations***(in thousands)*

Contractual obligations are obligations of the Corporation to others that will become liabilities in the future when the terms of those contracts are met. The Corporation has committed funds to be paid into Limited Partnerships. The details of the commitments are listed in Note 7. Other contractual obligations are:

	2020	2019
Obligations under Operating Leases	\$ 143	\$ 210
Obligations under Service Contracts	51	33
	\$ 194	\$ 243

	Leases	Contracts	Total
2020-21	72	46	118
2021-22	71	3	74
2022-23	–	2	2
Thereafter	–	–	–
	\$ 143	\$ 51	\$ 194

**Note 10 Subsequent Event***(in thousands)*

The Corporation has been named in one (2019: nil) claim of which the outcome is not determinable. The amount specified in the claim is \$252. The resolution of the indeterminable claim may result in a liability that is significantly lower than the claimed amount, or none at all.

**Note 11 Comparative Figures**

Certain 2019 figures have been reclassified to conform to the 2020 presentation.

**Note 12 Approval of Financial Statements**

The Board approved the financial statements of Alberta Enterprise Corporation

# Schedules to the Financial Statements

## Schedule 1

### EXPENSES – DETAILED BY OBJECT

Year Ended March 31, 2020

<i>(in thousands)</i>	2020		2019	
	Budget	Actual	Actual	
Salaries, Wages, Benefits and Payments to Consultants	\$	1,054	\$	1,051
Supplies and Services		526		638
Grants and Sponsorships		153		158
	\$ 1,850	\$ 1,733	\$	1,847

## Schedule 2

### SALARY AND BENEFITS DISCLOSURE

Year Ended March 31, 2020

<i>(in thousands)</i>	2020				2019	
	Base Salary <sup>(1)</sup>	Other Cash Benefits <sup>(2)</sup>	Other Non-cash Benefits <sup>(4)</sup>	Total	Total	
Chair of the Board	\$ –	\$ 22	\$ 2	\$ 24	\$	43
Board Members (six) <sup>(3)</sup>	–	68	5	73		90
Executives:						
Chief Executive Officer	275	10	26	311		309
Directors, Investments <sup>(5)</sup>	327	–	8	335		321
Director, Industry Development	131	–	7	138		169
	\$ 733	\$ 100	\$ 48	\$ 881	\$	932

<sup>(1)</sup> Base salary includes regular salary, holiday pay, and life and disability allowances.

<sup>(2)</sup> Other cash benefits for board members include honoraria payments and per diem allowances. Other cash benefits for executives include life and disability insurance. There were no discretionary amounts paid to executives in 2020 [2019 - nil].

<sup>(3)</sup> At any given time, the Board of Directors consisted of no more than six members in 2020 [2019 - six] plus the chair, whose remuneration is disclosed separately.

<sup>(4)</sup> Other non-cash benefits include Canada Pension Plan, Retirement Savings Plans, Employment Insurance payments, and parking benefits.

<sup>(5)</sup> This position consisted of two members [2019 - two].

### Schedule 3

#### RELATED PARTY TRANSACTIONS

Year Ended March 31, 2020

Related parties are those entities consolidated or accounted for on the modified equity basis in the Government of Alberta's Consolidated Financial Statements. Related parties also include key management personnel and close family members of those individuals in the Corporation. The Corporation and its employees paid or collected certain taxes and fees set by regulation for premiums, licenses and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this schedule.

Entities in the ministry refers to entities consolidated in the ministry of Economic Development, Trade and Tourism (EDTT). Other entities outside of the ministry relate to the remaining entities consolidated at the Provincial level.

The Corporation had a shared service arrangement with the department of Economic Development, Trade and Tourism and received financial services at no charge.

The Corporation had the following transactions with related parties reported in the Statement of Operations and the Statements of Financial Position at the amount of consideration agreed upon between the related parties.

<i>(in thousands)</i>	Entities in the Ministry		Other Entities Outside of the Ministry	
	2020	2019	2020	2019
<b>Revenues</b>				
Grants from EDTT	\$ 750	\$ 5,750	\$ –	\$ –
<b>Expenses</b>				
Other Services	\$ 10	\$ –	\$ 3	\$ 7
<b>Receivable from/(Payable to)<sup>(1)</sup></b>	<b>\$ 50,000</b>	<b>\$ 50,000</b>	<b>\$ –</b>	<b>\$ (5)</b>

<sup>(1)</sup> \$50,000 Receivable is from the Department of Economic Development, Trade and Tourism.



# Corporate Directory



## Board of Directors

From Left to Right:

Top row: Alice Reimer, Jim Gibson, Sharilee Fossum, Neil Sadaranganey

Bottom row: Tracey Scarlett, Ted Redmond, Patricia (Patty) Johnston

## Board of Directors

**Paul G. Haggis, Chair (until August 15, 2019)**

Bank of Canada's Board of Directors, Chair of the Audit Committee of Advantage Energy of Calgary, and Director & Audit Chair of Home Capital Group

**Ted Redmond, Chair (as of August 15, 2019)**

EVP & COO Modular Space Solutions, Black Diamond Group LP

**Alice Reimer, Vice Chair (until October 24, 2019)**

Site Lead CDL-Rockies and CEO of Fillip

**Sharilee Fossum, Audit Committee Chair**

Chief Financial & Corporate Officer of The Professional Association of Engineers and Geoscientists of Alberta (APEGA)

**Jim Gibson (until October 24, 2019)**

Partner with Thin Air Labs, a co-founder of Rainforest Alberta and a member of the A100

**Patricia (Patty) Johnston**

Corporate director and former General Counsel for the Alberta Energy Regulator

**Tracey Scarlett**

Corporate director and SME Advisor, President of BioQuest Ventures Inc.

**Neil Sadaranganey**

Managing Director of NTT Docomo Ventures

## Management Team

Kristina Williams,  
**President and CEO**

Rebecca Giffen,  
**Senior Director of Investments**

Paul Godman,  
**Director of Investments**

Christiana Manzocco,  
**Director of Industry Development**

Connie Nye, **Manager of Operations**  
(until March 12, 2020)

Carolina Rahikka, **Manager of Operations**  
(as of February 18, 2020)

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