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WELCOME FROM THE CEO



Welcome to Issue 13 of the *Investors' Advantage* newsletter, the last edition of the newsletter for 2007. As you will read below, this past quarter has been an exciting and productive one for BC Advantage Funds and its manager, Lions Capital Corp., and caps off another year of substantial achievement and growth.

Our Advantage Venture Fund recorded its best sales year since inception and we recently announced that AVF has sold out its entire \$10,000,000 allocation of 2007 tax credits. We are very grateful to our financial partners and investors for their continuing support and confidence in our funds' investment strategy and execution.

In October, Lions Capital announced the acquisition of the fund management agreement of Pender NDI Life Sciences Fund. The fund, now doing business as the Advantage Life Science Fund II, recently completed its prospectus filing and is now being offered for sale on Fundserve under the symbol "BCA800". In this newsletter we discuss the rationale for the transaction and why we believe it will prove to be a very strategic and beneficial acquisition for all Advantage shareholders. The Advantage Life Science Fund II has approximately \$5,000,000 of 2007 tax credit allocation remaining for sale.

Much has been said in the popular press about the "hollowing out" of corporate Canada as a result of acquisitions of prominent Canadian companies by US and other foreign corporations. In fact, nothing could be further from the truth. In this newsletter, we discuss how recent and past data from Statistics Canada shows that such acquisitions have instead bolstered the Canadian economy by providing significant additional employment and investment. This is an important lesson for BC's technology sector as we have seen a number of high profile acquisitions in recent years by foreign interests. It has always been our view that this should be seen as beneficial to the sector and a strong endorsement of the value we are creating in BC based technology companies.

As we close out 2007, we wish all of you a joyous holiday season and a healthy, prosperous new year.

Frank Holler
CEO, BC Advantage Funds

2007 TAX CREDITS

SOLD OUT! The Advantage Venture Fund has had another stellar year of fund raising and has sold out its \$10,000,000 allocation of 2007 tax credits.

BCA100

The Advantage Life Science Fund II has completed its prospectus filing and is now being offered for sale as BCA800 on Fundserve. This Fund has approximately \$5,000,000 of 2007 tax credit allocation remaining.

BCA800

LIFE SCIENCE FUND II ACQUISITION

On October 1st 2007, Lions Capital Corp. purchased the management agreement for the Advantage Life Science Fund II (formerly known as Pender NDI Life Science Fund).

Upon closing, the ALSFII board was restructured and is now comprised of five directors - Dr. Donald Rix; Founder of MDS Metro Laboratory Services and Chairman of Lions Capital; Barry Allen, CEO of Urodynamix Technologies; Dr. Avtar Dhillon, CEO of Inovio Pharmaceuticals; Frank Holler, CEO of Lions Capital and Dr. Simon Pimstone, CEO of Xenon Pharmaceuticals.

Advantage will continue to invest the proceeds of ALSFII in promising British Columbia life science companies.

ADVANTAGE LIFE SCIENCE FUND II

The Advantage Life Science Fund II offers residents of B.C. the opportunity to invest in a growing portfolio of some of BC's most exciting public and private life science companies.

Including several familiar companies, the ALSFII portfolio is presently comprised of the following:



a biopharmaceutical company developing drugs to protect against neurodegenerative conditions such as Alzheimer's disease.



a biopharmaceutical company developing drugs that harness the therapeutic potential of stem cells.



a cellular engineering and therapeutics company developing therapies for infectious diseases, cancer and genetic disorders.



a medical device company developing and distributing clinical tools for the vascular and surgical marketplace.



a pharmaceutical company developing new and improved pain therapies to help people who suffer from chronic pain.



a biopharmaceutical company developing novel therapeutics for the treatment of cancer and other proliferative diseases.

FOREIGN INVESTMENT A POSITIVE DRIVER

A recent study by Statistics Canada confirms that foreign controlled firms operating in Canada have been strong contributors to the Canadian economy. This may come as a surprise to many given the prevailing wisdom that foreign ownership is 'hollowing out' corporate Canada, resulting in lost jobs, reduced corporate investment, lower productivity and declining research and development.

It seems this prevailing negative view of foreign ownership is not borne out by the data. Data compiled by StatsCan based on decades of research suggests instead that foreign controlled firms operating in Canada have expanded Canadian head offices and head office jobs, achieved higher productivity, paid out higher wages, hired more non-production workers, and contributed more to research and development than their domestic brethren.

The new study, entitled "Multinationals in Canada: An Overview of Research at Statistics Canada", draws the following conclusions:

1. Foreign takeovers have not reduced the number of head offices in Canada nor have they reduced head office employment. On the contrary, more new head offices have been created than have been lost in the post-1999 period, and aggregate employment in the head offices was just as high after the takeovers as it was before. Head offices of foreign controlled firms accounted for six of 10 new head office jobs created from 1999 to 2005.
2. Foreign controlled firms innovate in all sectors more frequently than do domestically controlled firms regardless of size. They are more likely to have a dedicated research and development division, more likely to introduce 'world-first' rather than imitative innovations, and more likely to use advanced technologies.
3. Canadian plants of foreign-controlled companies are generally larger, have higher labour productivity, pay higher wages and hire more white-collar workers. Foreign firms accounted for 60% of overall productivity gains as a result of their closing less productive plants and opening more productive ones.
4. Canada's corporate competitiveness is also being assisted by productivity spill-over from foreign controlled companies to domestic firms. Furthermore, mergers involving foreign companies were found to more frequently lead to gains in productivity, wages, profitability or market share than did mergers between domestic ones.
5. Foreign controlled firms gravitate to large scale industries and to the high tech industry where competition is often based on new innovative technologies. They bring to these sectors the special capabilities required to manage knowledge based assets.

In recent years, the technology sector in British Columbia has witnessed a number of high profile acquisitions by multinationals. While each transaction must be assessed based on its individual circumstances, this StatsCan report suggests what we at Advantage have long suspected that mergers and acquisitions of Canadian companies by foreign controlled companies should not be viewed as a negative for Canada. Rather it should be seen as a positive driver of the economy, as a net benefit to the sector involved, and as a strong endorsement of the value being created by our Canadian technology companies.

NEW INVESTMENTS



Zeugma Systems Inc. is a venture backed company focusing on the broadband service provider market. Zeugma is developing and selling next generation network element designed to optimally deliver voice, video, and data services over a converged broadband network. Zeugma's product, the Zeugma Service Node (ZSN), delivers the intelligence necessary to optimize quality of service and experience of internet subscribers. The company has attracted a strong team of industry professionals from companies such as Sierra Wireless, Redback Networks, PMC-Sierra, Cisco Systems, Nortel Networks. The Company recently closed a Series B financing in which the Advantage Venture Fund and Advantage Technology Fund participated in.



Consumer Assurance Systems Inc. ("Conasys") is an information management company focused on building and operating web based tools for warranty data tracking and after sales customer service. The company's initial products, marketed as "Warranty Resource," are focused on the building industry. Warranty Resource is a service by which Conasys collects and collates all obtainable and applicable manufacturer, supplier, and sub-contractor information involved in the construction of a residential or commercial building project. This service is performed on a custom, per home basis, and sold to the builders/ developers of the home units. These packages are then presented to the new homeowner by the builder/developer, after the sale of each unit. The information is also stored in a database accessible on-line to the builders and home owners. The Company is in the process of completing a Series A round financing led by BC Advantage Funds.

** Information on our portfolio companies is provided to us by the companies. This information should not be considered as a representation by Advantage of the particulars or prospects of those companies.*

ABOUT ADVANTAGE

Advantage is a life sciences and technology fund that offers everyone in BC the opportunity to participate in returns from some of our Province's most promising emerging technology and life science companies. Investors receive a 30% refundable tax credit from the BC Government on investments of up to \$200,000 per year.

FOR MORE INFORMATION

For more information about BC Advantage Funds, contact your Investment Advisor or:

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Please read our Prospectus and with consult your investment and other advisors before investing.

PLEASE VISIT OUR WEBSITE AT WWW.BCADVANTAGEFUNDS.COM

This document is neither an offer to sell securities nor a solicitation of an offer to buy securities. The securities of our VCC funds are sold only by prospectus and through registered investment advisors. Investors should consult with their own investment advisors and obtain a copy of our applicable prospectus before making a decision to invest in one of our VCC funds. An investment in one of our VCC funds is speculative and high risk. This document includes reports of past performance. There is no guarantee that past performance will be indicative of future performance.

There is no market for our securities and liquidity may depend upon our ability to redeem our shares after the required hold period which is five years following the date we have invested our investors' funds. There is no guarantee that we will be able to redeem our shares if, as and when requested to by an investor. Investors should consider this investment a long-term investment.

An investment in our securities includes a tax credit in prescribed circumstances. Investors should review our prospectus for a full discussion on the tax aspects of an investment in our securities.