

Issue 16, October 2008

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WELCOME FROM THE CEO



Welcome to Issue 16 of the Investors' Advantage newsletter. No doubt many of you are watching the current turmoil in the global financial markets with a great deal of concern. At times like these, rather than focus on the endless barrage of media reports with their sensational headlines, I find it useful to look at some rational economic 'touchstones'.

One of my touchstones is to ask "What is the 'smart money' doing?" It may not surprise you that the smart money is doing the opposite of everyone else in this market turmoil. They are buying and not selling!

For example, corporate insiders are buying. Insider trading has been a very reliable tool in the past to forecast future market direction. In August, the net ratio of insider buyers to sellers hit a four year high. Industry is also buying. In healthcare, pharmaceutical companies are snapping up biotech companies like never before. Roche is trying to buy what it doesn't already own of Genentech for \$44 billion. BMS, and now Lilly, are bidding for Imclone. Takeda bought Millennium, and very recently, Medtronic made a bid to buy Canadian biotech, Cryocath. Venture capital is also still flowing to quality companies, as six of Advantage's portfolio companies have raised an aggregate of over \$90 million in new capital since May, 2008.

Finally, Warren Buffet, the wealthiest individual in the United States and the smartest of the smart money, has been on a buying spree in the last few weeks, investing \$8 billion in Goldman Sachs and GE alone.

So whether it's insiders, industry or Warren Buffet, the smart money is buying equities, which gives me comfort that there are real bargains to be had in the markets today. While it's hard to put aside the panic and hysteria that surrounds us, that's exactly what we must do to make rational investment decisions. When we do that and focus on economic touchstones (you may have some of your own), I believe it leads to the simple and powerful conclusion that, for good companies generally, and for BC Advantage Funds in particular, there has rarely been a better buying opportunity.

Frank Holler
CEO, BC Advantage Funds

2008 TAX CREDITS SALES



We anticipate another strong fundraising year in 2008. As you know, we successfully sold out both of our funds last year. We therefore encourage investors to purchase their tax credits as early as possible to avoid disappointment.

INTRODUCING THE ADVANTAGE GROWTH FUND

Lions Capital took over management of the *Pender NDI Life Sciences Fund* in October 2007. In May of this year, we re-named it *Advantage Life Sciences Fund II* and moved it under the BC Advantage Funds umbrella.

Following a strategic review of the Fund's mandate, we have decided to change the investment focus of the Fund from life science companies to emerging growth companies and to rename the Fund the *Advantage Growth Fund* to reflect this new focus. The *Advantage Growth Fund* will invest in BC companies that have substantial revenues, are profitable or approaching profitability and are likely to provide liquidity within a three to five year time frame.

Advantage has decided to make this change for three reasons:

First, a number of investment advisors have suggested to us that their clients would like the opportunity to diversify into a VCC investment that has less volatility than traditional venture capital, while continuing to provide the 30% refundable tax credit.

Second, the ongoing challenges regarding access to credit will drive more companies to turn to equity offerings to finance their growth. In these challenging times, those financings are likely to be carried out at very reasonable valuations.

Third, an analysis of our portfolio to date indicates that we have been very successful in deploying capital into growth companies.

Specifically, there are four companies in the Advantage portfolio that fit the definition of growth companies – Contech, Contigo Systems, IP Applications and Parasun Technologies. We have invested an aggregate of \$6.6 million into these four companies and the fair market value of our investments is currently \$10.3 million. This represents a gain of \$3.7 million and a return of 56% on the money invested. Further, \$2.5 million of that gain has been realized as we have received those proceeds from our successful sale of Parasun Technologies.

While we anticipate that an investment in the *Advantage Venture Fund* will provide the most significant returns to our investors over the long term, we are pleased to now offer our investors an alternative, less volatile, investment opportunity in the *Advantage Growth Fund*.

Jim Heppell
President, BC Advantage Funds

NEW INVESTMENTS UPDATE

CONTECH



On September 30 2008, Advantage invested an additional \$1,000,000 in Contech through a convertible debenture. These funds will allow Contech to continue its aggressive growth path. Contech acquired Phero Tech International in May of this year.

Contech management has already made significant progress placing Phero Tech products in big box retail locations, and the company has surpassed \$8M in revenue for its fiscal year ending September 30, 2008. Contech is aiming to attain a market cap of \$100M within five years, through a combination of rapid growth and an aggressive acquisition plan calling for 50% of revenue and profits to originate from new products. There are already several promising technologies, including a highly effective and non-toxic mosquito repellent, that are being developed into commercial products.

Non-toxic pest management is a worldwide, multi-billion dollar market. According to a 2006 report issued by Business Communications entitled "The New Biopesticide Market", the market for non-toxic pesticides or "biopesticides" alone is expected to grow 60% from its 2005 level of \$672M to \$1.1B by 2010. The pet training industry is also growing at a pace of between 6% and 8% per annum. Contech is well positioned to take advantage of these trends and is committed to growing its stake in these emerging markets.

NXTGEN



On October 14, 2008, Advantage invested an additional \$1,125,000 in NxtGen Emission Controls as part of the NxtGen's US\$17M Series B financing. NxtGen is a Vancouver based, cleantech company developing a hydrogen based system for removing nitrogen oxide (NOx) and particulate matter (PM) from diesel engine exhaust.

Diesel engine manufacturers and operators have to meet US EPA and other worldwide regulatory restrictions on diesel emissions that first came into effect in 2007 and which are set to increase in 2010. NxtGen is commercializing a retrofit system for reducing particulate matter from diesel emissions and is commencing field trials with commercial partners. NxtGen is also in active discussions with the leading diesel engine manufacturers towards incorporating its novel, proprietary PM and NOx reducing technology directly into the next generation of manufactured diesel engines.

This new investment is Advantage's second in NxtGen. The financing round was led by a \$5M first investment from US based Altira Group (<http://www.altiragroup.com>), and brought to the table a number of new, strategic investors.

URODYNAMIX



On October 15th Advantage agreed to invest an additional \$2.5M into UroDynamix Technologies.

UroDynamix has commercialized a medical device that utilizes a skin patch emitting near infrared light to diagnose urological conditions, such as urinary incontinence, enlarged prostate and prostate cancer. The company's device is intended to replace the current invasive method of hospital diagnosis, which requires insertion of two catheters and mechanical filling of the bladder. UroDynamix is also developing devices for monitoring intra-abdominal pressure in intensive care patients and for characterization of erectile dysfunction. On October 6, 2008, UroDynamix entered into an agreement with Timm Medical Technologies with respect to the development and marketing of an erectile dysfunction diagnostic device.

Early this year, UroDynamix signed a worldwide distribution agreement with Laborie Medical Technologies, a leader in hospital urodynamics systems, for integration of UroDynamix's technology into Laborie's hospital urology device. Laborie obtained FDA approval for the integrated device in March of this year and is currently carrying out marketing trials in the US. On September 17, 2008 UroDynamix filed for FDA approval of a stand-alone diagnostic for use in urologists' offices. On October 21, 2008, the Company announced that it had appointed Medical Measurement Systems, a leading developer and distributor of diagnostic systems for urology, to market the stand alone device worldwide. Pfizer has recently agreed to fund a marketing and education program to increase awareness of the device among urologists and medical professionals in 20 cities across the US.

Despite the significant progress UroDynamix has made in commercializing its technology, the challenging financial markets have cut its market capitalization in half over the last four months. We believe that this is a very advantageous time to invest in public companies, like UroDynamix, where management is hitting its objectives and the commercial value of the technology is being proven out, while the company is significantly undervalued by the public markets.

ABOUT ADVANTAGE

Advantage offers everyone in BC the opportunity to invest in some of the Province's most promising life science, technology and clean-technology companies. Advantage 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 consult with your investment and other advisors before investing.

PLEASE VISIT OUR NEWLY REDESIGNED WEBSITE AT WWW.BCADVANTAGEFUNDS.COM

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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.