

Issue 17, December 2008

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WELCOME FROM THE CEO



Welcome to Issue 17 of the Investors' Advantage newsletter. In the last issue, I talked about the importance of maintaining a cool head during these difficult markets. Not that we don't understand how difficult these market conditions are for everyone. Indeed, we too are feeling the pain of declining share prices and tightening credit conditions. On the other hand, we are also acutely aware of the incredible investment opportunities being created by these difficult markets and are taking steps to capitalize on them for the benefit of our shareholders.

Despite the turmoil in the capital markets, there are positive stories. One is that our portfolio companies continue to attract capital. We report herein on more than \$90 million in new capital raised by our portfolio companies since May of this year. In fact, NxtGen Emission Controls completed a US \$17 million financing in October, where it was able to maintain its valuation amidst some of the worst markets seen in decades. We see this as a testament to the quality of the companies in our portfolio.

A second positive story is that investors continue to believe in technology. Cleantech companies achieved record levels of venture investing (\$897 million) in Q2, 2008 and, despite market conditions, continued that brisk pace through Q3, 2008, reaching \$874 million. This strong performance is being credited to the ongoing maturation of this exciting technology sector.

We recently also saw good news and strong share price performance from one of our portfolio companies, OncoGenex Pharmaceuticals (NASDAQ: OGXI). In early December, OncoGenex announced positive results from a Phase 2 trial of its drug OGX-011, in combination with chemotherapy, for patients with metastatic prostate cancer. During the three days following the announcement, OncoGenex traded over one million shares and its share price climbed 224% from US\$2.25 to US\$7.29, ranking the company as the number one weekly percentage gainer on the NASDAQ stock exchange.

For the reasons above, amongst others, we continue to have great confidence in our investment strategy and in the future of the technology industry.

Frank Holler
CEO, BC Advantage Funds

2008 TAX CREDITS SALES



We anticipate another strong fundraising year in 2008. As you may 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.

VCC REDEMPTION PERIOD

Over the years there has been a fair amount of confusion with respect to the length of time a venture capital corporation ("VCC") must wait before it is allowed to redeem shares held by its investors. The wording of the Small Business Venture Capital Act ("SBVCA") that relates to the redemption period was introduced in April 2003 and is subject to the interpretation of the Investment Capital Branch, which oversees the administration of the SBVCA.

The SBVCA states that a VCC may redeem shares held by its investors once the VCC has satisfied its obligation to invest the monies it has received from those investors. A VCC is required to invest 40% of the monies raised during any fiscal year in eligible BC companies by the end of the first following fiscal year and 80% of the monies raised in eligible BC companies by the end of the second following fiscal year and to hold those investments for at least five years. In practice, the Investment Capital Branch now divides all monies raised by a VCC during a fiscal year into two equal pools and tracks the 40% and 80% investment requirements with respect to each pool. In short, a VCC is allowed to redeem shares held by an investor five years from the day on which the VCC has invested 80% of the monies raised in the pool of money relating to his or her investment.

Depending on when the investor invests in the VCC and how quickly the VCC invests the monies received, the period from the time of investment to the time of redemption will generally range from six to seven years. The quality of investment opportunities presented to Advantage has allowed us to invest monies received at a faster pace than that required under the SBVCA. This puts our investors' money to work quickly so as to maximize their returns and to allow them to redeem their shares at the earlier end of the range allowed under the SBVCA. We will provide you with notice well in advance of the date you can redeem your shares of Advantage.

CEO SUMMIT

BC Advantage Funds held its annual CEO Summit to a capacity audience of investment advisors and clients in November at Vancouver's Terminal City Club.

In addition to a compelling fund update with the official launch of the *Advantage Growth Fund*, the event showcased dynamic presentations from five of Advantage's core holdings - Protoc Therapeutics, Urodynamix, Mobidia, Allon and Contech.

Investment Advisors throughout BC are adapting this model regionally to educate and update their clients on the funds - please contact VP Ray Matthews to learn more about how you can message Advantage to your clients to capitalize on RSP / tax season - 604.818.7778

PORTFOLIO COMPANIES RAISE CAPITAL

Advantage Companies Raise over \$90M

In contrast to the adverse conditions in the public markets, six Advantage portfolio companies have raised over \$90 million in new capital since May, 2008.

- In late May, Prottox Therapeutics raised \$4.8 million in a private placement at \$0.70 per share. This financing came on the heels of the company's announcement that patients with benign prostrating hyperplasia who were administered PRX302 in the company's completed phase I trial are still benefitting from the treatment six to nine months later.
- Inimex Pharmaceuticals closed an impressive \$22M series B financing in early June with nearly half of that amount coming from new investors, including significant participation from large US and Asian venture capital firms as well as from the venture capital arm of Roche Pharmaceuticals.
- Allon Therapeutics raised \$20 million through a bought deal financing in July. This financing followed Allon's announcement earlier this year of the therapeutic benefit of AL-108 on the memory function of patients with amnesic mild cognitive impairment, a precusorry condition to Alzheimer's disease.
- Mobidia Technology raised \$9.5 million in early July. The company is gaining traction with major telecommunications carriers with its "wave" platform for improving control, efficiency and productivity of mobile IP traffic.
- OncoGenex completed its reverse merger with Sonus Pharmaceuticals in August, providing the Company with \$20.3 million of new capital towards continued development of therapeutics for overcoming chemotherapy resistance in cancer patients.
- NxtGen raised \$17 million in October through a Series B financing led by US VC Altira Group and including several key strategic investors.

Advantage President Jim Heppell acknowledging this fundraising success; "The ability of our portfolio companies to raise funds under these difficult conditions, and on favourable terms, is a testament to their operating progress and achievements. Each one has demonstrated that even in the darkest of conditions, capital will flow to companies with strengthening fundamentals and demonstrated potential."

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.

PLEASE VISIT OUR NEWLY REDESIGNED 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.

PROTOX



On November 24, 2008, Prottox Therapeutics (TSX:PRX) announced positive results from its Phase 2 study of PRX302 in patients with benign prostatic hyperplasia (BPH), commonly known as enlarged prostate. BPH is a painful and bothersome urological condition, common among the aging male population, that affects over 50 million men worldwide.

The results indicate that PRX302 provided significant symptomatic relief with an excellent safety profile in men with moderate to severe BPH. 90 day post-treatment results demonstrated dose dependent, symptomatic relief in all three cohorts with an average improvement ranging from 15.6% for the lowest dose to 54.0% for the mid dose. All 13 patients who received 1.0mL or greater volume of PRX302 per deposit showed a statistically significant, 11.2 point improvement on a 35 point scale (approximately 32% improvement). Furthermore, patients' quality of life scores improved, again in a dose dependent fashion, on average between 35% and 57.7% across the three cohorts. These results are very encouraging, representing approximately twice the response reported for approved BPH drugs and comparable successful surgical results.

Dr. Fahar Merchant, President and Chief Executive Officer of Prottox, noted that "these data show that PRX302 provides symptom relief which is much more profound than currently approved oral therapies and comparable to many office based surgical procedures without any of the side effects or complications associated with them."

No safety issues were identified and in the phase 2 study no serious adverse events have been reported to date. The adverse events reported were mild to moderate, very transient in nature (resolved within days) and localized to the urinary tract. In addition, no sexual dysfunction and no clinically abnormal laboratory findings have been reported in any of the subjects dosed to date. A maximum tolerated dose was not reached.

Earlier, in October of this year, Prottox reported that BPH patients from its preceding Phase 1 trial are still enjoying a therapeutic benefit twelve months following a single treatment with PRX 302. Prottox intends to build on this strong data via a subsequent phase 2b clinical trial with PRX302 to be initiated in Q1 2009.

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.