

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

Dated: July 20, 2009

**PROSPECTUS**  
**INITIAL PUBLIC OFFERING AND CONTINUOUS OFFERING**



**B.C. ADVANTAGE FUNDS (VCC) LTD.**

A Venture Capital Corporation

**Maximum Offering of up to \$51,791,824 of Offered Shares (as defined below),  
of which \$26,000,000 will not be available for sale until January 1, 2010**

Offering Price: The Pricing Net Asset Value per Offered Share, determined on the Valuation Date, in the case of the Advantage Venture Shares and Advantage Growth Fund Shares; OR  
\$10 per Offered Share until the Board determines a different Pricing Net Asset Value per Offered Share, and thereafter at the Pricing Net Asset Value per Offered Share, determined on the Valuation Date, in the case of the Advantage Structured Fund I Shares, the Advantage Structured Fund II Shares, the Advantage Structured Fund III Shares and the Advantage Structured Fund IV Shares.

Minimum Subscription: \$500

This Prospectus qualifies the distribution to the public (the "**Offering**") of the Advantage Venture Common Shares and Advantage Venture RRSP Common Shares (collectively, the "**Advantage Venture Shares**"), the Advantage Growth Fund Common Shares and Advantage Growth Fund RRSP Common Shares (collectively, the "**Advantage Growth Fund Shares**"), the Advantage Structured Fund I Common Shares and Advantage Structured Fund I RRSP Common Shares (collectively, the "**Advantage Structured Fund I Shares**"), the Advantage Structured Fund II Common Shares and Advantage Structured Fund II RRSP Common Shares (collectively, the "**Advantage Structured Fund II Shares**"), the Advantage Structured Fund III Common Shares and Advantage Structured Fund III RRSP Common Shares (collectively, the "**Advantage Structured Fund III Shares**") and the Advantage Structured Fund IV Common Shares and Advantage Structured Fund IV RRSP Common Shares (collectively, the "**Advantage Structured Fund IV Shares**") in the capital of B.C. Advantage Funds (VCC) Ltd. ("**Advantage**", "**we**", "**our**" or "**us**") (collectively, the Advantage Venture Shares, Advantage Growth Fund Shares, Advantage Structured Fund I Shares, Advantage Structured Fund II Shares, Advantage Structured Fund III Shares and the Advantage Structured Fund IV Shares are referred to herein as the "**Offered Shares**").

<b>Offered Shares Being Qualified for Distribution</b>		
<b>Fund</b>	<b>Class of Offered Shares</b>	<b>Offering Price</b>
Advantage Venture Fund	Advantage Venture Common Shares	Applicable Pricing Net Asset Value per Share
	Advantage Venture RRSP Common Shares	Applicable Pricing Net Asset Value per Share
Advantage Growth Fund	Advantage Growth Fund Common Shares	Applicable Pricing Net Asset Value per Share

	Advantage Growth Fund RRSP Common Shares	Applicable Pricing Net Asset Value per Share
Advantage Structured Fund I	Advantage Structured Fund I Common Shares	\$10 per Share <sup>(1)</sup>
	Advantage Structured Fund I RRSP Common Shares	\$10 per Share <sup>(1)</sup>
Advantage Structured Fund II	Advantage Structured Fund II Common Shares	\$10 per Share <sup>(1)</sup>
	Advantage Structured Fund II RRSP Common Shares	\$10 per Share <sup>(1)</sup>
Advantage Structured Fund III	Advantage Structured Fund III Common Shares	\$10 per Share <sup>(1)</sup>
	Advantage Structured Fund III RRSP Common Shares	\$10 per Share <sup>(1)</sup>
Advantage Structured Fund IV	Advantage Structured Fund IV Common Shares	\$10 per Share <sup>(1)</sup>
	Advantage Structured Fund IV RRSP Common Shares	\$10 per Share <sup>(1)</sup>

<sup>(1)</sup> Until the Board determines a different Pricing Net Asset Value per Share, and thereafter at the Pricing Net Asset Value per Share, determined on the Valuation Date.

Except for our Advantage Structured Fund I Shares, Advantage Structured Fund II Shares, Advantage Structured Fund III Shares and Advantage Structured Fund IV Shares, which are offered at a price of \$10 per Share (until the Board determines a different Pricing Net Asset Value per Share, and thereafter at the Pricing Net Asset Value per Share, determined on the Valuation Date), our Offered Shares are offered on a continuous basis at a price equal to the Pricing Net Asset Value per Offered Share determined on the Valuation Date which falls on or occurs immediately after the date on which we receive a proper subscription for Offered Shares. As a result, the offering price for our Offered Shares may vary from Investor to Investor and during the period of distribution. Please refer to "Calculation of Net Asset Value – Calculation of Pricing Net Asset Value".

Advantage is registered as a venture capital corporation ("VCC") under the Small Business Venture Capital Act (British Columbia) (the "SBVCA"). Please refer to "Overview of the Legal Structure of Advantage - Small Business Venture Capital Act Considerations". Advantage invests in eligible small businesses (as defined in the SBVCA) with a focus on emerging British Columbia based technology, clean-tech and life science companies in an effort to provide Investors with superior returns. Please refer to "Investment Objectives", "Investment Strategies" and "Overview of the Sectors that Advantage Invests In". All of our Funds are managed by Lions Capital Corp. ("Lions Capital"), which provides the fund management services of Frank Holler, David Raffa, Jim Heppell and Tanner Philp. Please refer to "Organization and Management Details of Advantage – Manager of Advantage".

Funds provided by Investors who subscribe for a certain class of Shares will be used for investment in the Fund that class of Shares represents. For example, funds provided by Investors who subscribe for Advantage Venture Shares will be used for investment in our Advantage Venture Fund, and funds provided by Investors who subscribe for Advantage Growth Fund Shares will be used for investment in our Advantage Growth Fund.

**An investment in our Offered Shares is highly speculative in nature, carrying significant risks and should be undertaken only by Investors who have sufficient financial resources to enable them to assume such risks and who have no need for immediate liquidity of their investment. Please refer to "Risk Factors". The Offered Shares should not be purchased by persons who cannot afford the possibility of the loss of their entire investment and such an investment should not constitute a major portion of an individual's portfolio.**

**There is currently no market for the Offered Shares and it is not expected that any market will develop. Our ability to meet a redemption request is subject to certain conditions which, if not met, may result in a redemption request being suspended, delayed or declined. Redemption of Offered Shares is prohibited for a period of at least five years from the date of investment, and for practical purposes typically longer than five years from the date of investment. Please refer to "Redemption of Securities" and "Risk Factors".** There can be no assurance that, at the end of such period, we will be in a position to redeem the Offered Shares. We are prohibited from making redemptions in certain circumstances and we may, in certain other circumstances, suspend redemptions for substantial time periods.

There is a minimum subscription amount of \$500 in the Advantage Venture Fund, the Advantage Growth Fund, the Advantage Structured Fund I, the Advantage Structured Fund II, the Advantage Structured Fund III and the Advantage Structured Fund IV. Subscriptions for Offered Shares will be received, subject to rejection or allotment in whole or in part, by Advantage and the right is reserved by Advantage to close the subscription books at any time without notice. We may close this Offering in one or more tranches. There is no minimum amount which we must raise pursuant to this Offering. Please refer to "Plan of Distribution".

We will distribute our Offered Shares through our Selling Agents. We may pay commissions and service fees to Selling Agents for selling our Offered Shares. At a Selling Agent's option, Advantage will either: (a) pay an up front cash commission to a Selling Agent equal to up to 7.5% of the gross proceeds of the Shares sold by the Selling Agent; or (b) pay an up front cash commission to a Selling Agent equal to 5% of the gross proceeds of the Shares sold by the Selling Agent and a servicing (or trailer) fee of 0.5% per annum of the aggregate Pricing Net Asset Value of the Shares held by clients of the Selling Agent, calculated monthly and paid quarterly. In the event that Advantage does not pay a cash commission to a Selling Agent through whom an Investor purchased Offered Shares, that Investor may pay per Offered Share an amount equal to 95% of the Pricing Net Asset Value per Share. Please refer to "Plan of Distribution".

Advantage is not a mutual fund for securities law purposes and the rules designed to protect investors who purchase securities of mutual funds, such as rules directed at ensuring liquidity and diversification of investments, and certain other investment restrictions and practices applicable to mutual funds, do not apply to us.

Individuals resident in British Columbia who purchase Offered Shares and corporations having a permanent establishment in British Columbia that purchase Offered Shares may be eligible for Tax Credits. Please refer to "Income Tax Considerations". Investors must subscribe for our Offered Shares by March 1, 2010 in order to be eligible for Tax Credits for the taxation year ended December 31, 2009. Please refer to "Plan of Distribution". Investors should consult their own tax advisors respecting their eligibility for and their ability to use Tax Credits.

The Province of British Columbia in no way passes on the merits of an investment in the Offered Shares.

Additional information about Advantage is available in the following documents:

- Our comparative annual financial statements for the years ended December 31, 2008 and December 31, 2007, together with the accompanying report of KPMG LLP;
- Our annual reports of fund performance for the year ended December 31, 2008;
- Any interim financial statements of Advantage filed after those annual financial statements referred to above; and
- Any interim management reports of fund performance for Advantage filed after the annual management reports of fund performance referred to above.

These documents are incorporated by reference into this Prospectus, which means that they legally form part of this Prospectus. Please see "Documents Incorporated by Reference" for further details. In addition, more information about Advantage is available in the financial statements of the Structured Funds attached to this Prospectus, which are in the form of Opening Statements of Net Assets dated July 9, 2009.

Please refer to the "Glossary of Terms" for definitions of capitalized words not defined above.

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## VENTURE CAPITAL CORPORATION SUMMARY

The Investment Capital Branch is the operating name for the government department that delivers the investment incentive program as set out in the *Small Business Venture Capital Act* (British Columbia) ("**SBVCA**"). This program is designed to encourage arm's length investors to make equity investments in small businesses operating in sectors which result in export enhancement, import replacement or otherwise diversify the economy of British Columbia.

The Province of British Columbia provides investors with a tax credit incentive equal to 30% of their investment in a special holding company which qualifies as a "**venture capital corporation**", or "**VCC**", which in turn invests in one or more businesses that meet the eligibility criteria of the SBVCA.

Investors who require further information on the provisions of the SBVCA and its regulations are advised to consult their own professional financial, legal and tax advisors or contact the Investment Capital Branch staff.

In registering a VCC under the SBVCA, the Province of British Columbia makes no representations with respect to any tax considerations discussed in this document, other than with respect to those dealing with the British Columbia tax credit available in respect of the purchase of our Offered Shares.

The Province of British Columbia in no way guarantees the value of any shares issued by a VCC registered under the SBVCA, nor does it in any way express an opinion as to the financial condition of the issuing company, the merits of an investment in shares of the issuing company, or the merits of the issuing company's investments in eligible small businesses.

The Investment Capital Branch's staff has not reviewed this Prospectus. Any matters that concern prospective Investors should be reviewed with their own personal advisors.

## PROSPECTUS SUMMARY

*The following is a summary of the principal features of the Offering and should be read together with the more detailed information and financial data and statements incorporated by reference in this Prospectus. Certain capitalized terms used in this summary are defined in the Glossary of Terms following this Summary.*

### **General**

- Advantage* We are registered as a venture capital corporation ("**VCC**") under the *Small Business Venture Capital Act* (British Columbia) (the "**SBVCA**"). We were formed as the result of the amalgamation on August 8, 2008 under the Business Corporations Act of the Amalgamated Companies. Please refer to "Overview of the Legal Structure of Advantage".
- Offering* This Offering consists of our Offered Shares, namely our Advantage Venture Shares, Advantage Growth Fund Shares, Advantage Structured Fund I Shares, Advantage Structured Fund II Shares, Advantage Structured Fund III Shares and Advantage Structured Fund IV Shares. As of June 4, 2009, we have sold a total of 33,421 Offered Shares for a total of \$208,176 in respect of which Investors are entitled to receive Tax Credits for the 2009 taxation year. Accordingly, we may raise up to an additional \$25,791,824 in Offered Shares in respect of which Investors may receive Tax Credits for the 2009 taxation year. More specifically, we may raise at least \$10,000,000 in Offered Shares in respect of which Investors may receive Tax Credits for the 2009 taxation year. In addition, if we sell out our \$10,000,000 equity allocation, we can access an additional \$16,000,000 pool of Tax Credit allocation on a first come, first served basis with other retail VCC funds. Therefore, the maximum we may raise in Offered Shares in respect of which Investors may receive Tax Credits for the 2009 taxation year is \$26,000,000, assuming we access the entire excess pool of Tax Credit allocation available to all retail VCC funds. Please refer to "Plan of Distribution".
- Offering Price* Except for our Advantage Structured Fund I Shares, Advantage Structured Fund II Shares, Advantage Structured Fund III Shares and Advantage Structured Fund IV Shares, which are offered at \$10 (until the Board determines a different Pricing Net Asset Value per Share, and thereafter at the Pricing Net Asset Value per Share, determined on the Valuation Date), our Offered Shares are offered on a continuous basis at a price equal to the Pricing Net Asset Value per Offered Share determined on the Valuation Date which falls on or occurs immediately after the date on which we receive a proper subscription for Offered Shares. Please refer to "Plan of Distribution" and "Calculation of Net Asset Value – Calculation of Pricing Net Asset Value".
- In the event that we do not pay a cash commission to a Selling Agent through whom an Investor purchased Offered Shares, that Investor may pay per Offered Share an amount equal to 95% of the Pricing Net Asset Value per Share of the respective Fund.
- Minimum Investment* The minimum initial subscription amount is \$500 in the Advantage Venture Fund, Advantage Growth Fund, Advantage Structured Fund I, Advantage Structured Fund II, Advantage Structured Fund III and Advantage Structured Fund IV. Please refer to "Purchases of Securities".
- Investment Objectives* Our objective is to provide Investors with superior returns by investing primarily in emerging technology, clean-tech and life science companies located in British Columbia.
- The foregoing objective is the same for all classes of Shares, save and except that the objective for the Advantage Venture Shares is to invest in emerging life science, clean-tech and technology companies, the objective for the Advantage Growth Fund Shares is to invest in emerging life science, clean-tech and technology companies, including companies that have growing revenues, are approaching profitability or profitable and are likely to provide liquidity within a three to five year time frame and the objective for each of the Advantage Structured Fund I Shares, the Advantage Structured Fund II Shares, the Advantage Structured Fund III Shares and the Advantage Structured Fund IV Shares is to invest primarily in emerging technology, clean-tech and life science companies. Please refer to "Investment Objectives".

*Investment Strategies* Our strategy is to invest primarily in emerging British Columbia based technology, clean-tech and life science companies with the objective of realizing long-term capital appreciation. Please refer to "Investment Strategies".

*Use of Proceeds* We will use the net proceeds of this Offering to invest in Eligible Small Businesses ("**ESBs**") in accordance with our Investment Policy, subject to the requirements of the SBVCA. Our strategy is to invest primarily in emerging technology, clean-tech and life science companies and, to a lesser extent, in late stage technology, clean-tech and life science companies and early stage, or later stage, companies in other industry sectors. Pending such investments, the net proceeds of this Offering will be invested in Permitted Investments as required by the SBVCA. As required under the SBVCA, 30% of the gross proceeds of this Offering will be deposited in an Investment Protection Account and will be released to us in accordance with the terms of an agreement between Advantage and the SBVCA Administrator. Please refer to "Investment Restrictions - Investment Protection Account".

To the extent that our annual management fees, commissions, servicing fees and operating expenses are not paid out of our investment income, the proceeds of the Offering will be used to pay such expenses. In accordance with the regulations to the SBVCA, we may incur annual expenses of no more than 20% of our equity capital raised, other than expenses paid out of retained earnings, unless the SBVCA Administrator otherwise approves. Please refer to "Fees and Expenses".

*Risk Factors* An investment in Advantage must be considered highly speculative in nature, carrying significant risks and should be undertaken only by Investors who have sufficient financial resources to enable them to assume such risks and who have no need for short term liquidity of their investment. Investors who cannot afford the loss of their entire investment should not purchase Offered Shares, and an investment in our Offered Shares should not constitute a major portion of an Investor's portfolio. There can be no assurance that an investment in our Offered Shares will earn any return in the short or long term. The Province of British Columbia does not guarantee an investment in the Offered Shares. Please refer to "Risk Factors".

Investors should consult their professional financial, tax and legal advisors and consider the following risk factors before purchasing Offered Shares.

- (1) Our success depends on our Portfolio Companies.
- (2) Investments in emerging technology, clean-tech and life science ESBs are inherently risky.
- (3) There currently is no market for the Offered Shares and it is not expected that any market will develop. If no market develops for the Offered Shares, shareholders will not, generally, be able to dispose of their Offered Shares other than by way of redemption. Redemption of the Offered Shares is prohibited for a period of at least five years from the date of investment, and practically speaking, longer.
- (4) Although a holder of our Offered Shares may be entitled to request a redemption of Offered Shares, our financial position may prohibit us from completing a request for redemption or may allow us to decline a request for redemption. In addition, there are several requirements under the SBVCA with respect to when we are able to redeem our Offered Shares.
- (5) Our success depends on how much we raise pursuant to the Offering.
- (6) The British Columbia government has the discretion to reduce the amount of capital we may raise on a tax incentive basis. The government program under which Tax Credits are provided may not continue in its current form, or at all. Our registration under the SBVCA may be suspended or revoked in certain circumstances, in which

case sales of the Offered Shares would not qualify for Tax Credits. In each such event, our ability to raise additional capital would be impaired, potentially adversely affecting our long-term viability.

- (7) Changes to existing laws and regulations may alter the ability of a Portfolio Company to conduct its business.
- (8) Advantage faces competition from other capital providers and there can be no assurance that suitable investments in ESBs will be found. There is no minimum Offering. Expenses incurred by us may reduce or even eliminate the returns that may otherwise have been available to Investors.
- (9) Investments made by us will generally lack liquidity and involve a long term commitment. In funds such as ours, a realized or unrealized diminution in the value of an investment is typical before gains, if any, arise. In addition, expenses incurred by us may reduce or eliminate the returns that would otherwise be available to Investors.
- (10) To the extent that our annual management fees, sales commissions, servicing fees and operating expenses are not paid out of our investment income, the proceeds of this Offering will be used to pay such expenses.
- (11) We are not a mutual fund. The rules designed to protect investors who purchase securities of mutual funds do not apply to us, and we are not subject to the mutual fund investment restrictions.
- (12) The Pricing Net Asset Value of Advantage is based principally on the value of the assets in our Funds and, therefore, the value of our Shares will increase or decrease with the value of these assets. Our valuation process for our Shares is based on inherent uncertainties and the resulting values may differ from values that would have been used had a liquid market existed for the investments.
- (13) The Pricing Net Asset Value of the applicable Fund will be reduced when the Equity Participation Shares have value or are realized.
- (14) The fundamental investment objectives, restrictions, policies or strategies of our Funds that are determined by our Board and the board of directors of Lions Capital can be changed by our Board and the board of directors of Lions Capital. For example, we may change the mandate of a Fund to focus on a different sector of investments within the broader category of investments permitted under the SBVCA without any requirement to seek shareholder approval.
- (15) Investors will be required to rely on our Officers, Board of Directors, Lions Capital and Fund Managers to conduct our business. As such, conflicts of interest may arise in the ordinary course of business.
- (16) The holder of our Equity Participation Shares, Lions Capital, has the right to attend and vote at general meetings of our shareholders to elect such number of our Directors as is equal to not less than 20% of the total number of Directors that comprise our Board of Directors.
- (17) We may become liable to repay Tax Credit amounts, which may impair our ability to carry on business and meet our commitments.
- (18) Issuance of Tax Credits by the SBVCA Administrator is discretionary and cannot be guaranteed. If we contravene the SBVCA, the SBVCA Administrator may revoke all Tax Credit Certificates issued in respect of the Shares and deem them never to have been issued.

- (19) In situations where Shares are transferred to an RRSP, RRIF or other registered plan or are redeemed, CRA may reassess the Fair Value of the Shares as of the date of transfer which would affect the proceeds of disposition received by the transferor and may affect the amount of the deduction available as a result of the transfer.

*Income Tax Considerations*

There are significant tax aspects associated with an investment in the Offered Shares. Generally, individuals who purchase Offered Shares and are resident in British Columbia on the date of subscription are eligible to receive a refundable Tax Credit equal to 30% of the purchase price of the Offered Shares acquired, subject to an annual maximum Tax Credit of \$60,000 (\$200,000 investment). Corporations resident in British Columbia are eligible to receive a non-refundable Tax Credit equal to 30% of the purchase price of the Offered Shares acquired, which is not subject to any annual limit. Please refer to "Income Tax Considerations".

*Purchase Options*

We generally distribute our Offered Shares through Selling Agents. In the event that we do not pay a cash commission to a Selling Agent through whom an Investor purchased Offered Shares, that Investor may pay per Offered Share an amount equal to 95% of the Pricing Net Asset Value per Share of the respective Fund.

*Redemption*

The Offered Shares are redeemable only:

- (a) on or after the date that is five years from the date that 80% of the proceeds from the sale of Offered Shares in a given calendar year are invested in ESBs;
- (b) during the one month period prior to the date referred to in (a) above, where the holder thereof is concurrently subscribing for Offered Shares on terms and conditions acceptable to us; and
- (c) otherwise with the approval of our Board of Directors and, if necessary, the approval of the SBVCA Administrator.

Upon redemption, the Offered Shares will be redeemed at a price per Offered Share equal to the applicable Pricing Net Asset Value per Share, which will be the Pricing Net Asset Value per Share on the Valuation Date which falls on or occurs immediately after the date on which we receive or are deemed to have received a fully completed Redemption Request. We may decline Redemption Requests in certain circumstances.

The SBVCA provides that we may redeem our Offered Shares but that in certain circumstances we may become obliged to pay to the Minister of Finance an amount which is equal to some or all of the 30% Tax Credit originally given in respect of those Offered Shares. It is therefore in our interest to not redeem any Offered Shares unless and until the applicable criteria are met.

In addition to the restrictions on redemption in our Articles and under the SBVCA, there are practical limits on the number of redemption requests that we will be able to fulfill after the initial hold period, which practically speaking may be six to seven years, such limits to depend on the number of investments in Portfolio Companies that we have sold and that have met our return objectives by that time. Practically speaking, Investors will not be able to redeem their investment for six to seven years from the date they invest in a Fund. Also, the SBVCA Administrator regulates the number of Shares of a given Fund that are available for redemption from year to year. For further disclosure regarding this and other matters relating to redemption, please refer to "Redemption of Securities".

*Distribution Policy*

We may consider paying dividends on our Shares or the Equity Participation Shares when circumstances, including earnings, cash flow, financial and legal requirements, and business considerations, permit. Please refer to "Distribution Policy".

*Termination of the Funds*

None of the Funds has a fixed termination date. In the event of our liquidation, dissolution or winding-up or other distribution of our assets for the purpose of winding-up our affairs, the holders of Shares will be entitled to receive the Pricing Net Asset Value per Share of the

applicable Fund they have invested in. Our Board may, by resolution, require that all or any class of our common shares be converted into any other class of our common shares, so long as the conversion is carried out based upon the respective Net Assets of the respective classes of common shares. The exercise of this right may in practical terms result in a Fund being terminated. Please refer to "Termination of the Funds".

*Eligible Investment*

The Offered Shares will be a qualified investment under the Federal Tax Act for an RRSP or an RRIF, except in certain limited situations. The Offered Shares are also an eligible investment for a TFSA except in limited circumstances; however, Tax Credits are not available when a TFSA directly purchases Offered Shares. Rather, to be eligible to receive a Tax Credit, an individual must purchase the Offered Shares and then transfer them into a TFSA. Please refer to "Income Tax Considerations – Status of Advantage – Qualified Investments". **Investors should consult their own professional tax advisors to confirm whether Offered Shares are qualified investments for their RRSPs or RRIFs, based upon their particular circumstances.**

*Investment Restrictions*

As a VCC regulated under the SBVCA, we may not make or hold any investments not permitted by the SBVCA. With some minor exceptions, we are restricted to acquiring only certain types of securities, referred to as eligible securities, of only certain types of businesses, referred to as Eligible Small Businesses or ESBs, in addition to certain other investments permitted under the SBVCA. Eligible securities are essentially equity securities and ESBs are essentially small businesses located in British Columbia. Please refer to "Investment Restrictions – Statutory Restrictions".

*Small Business Venture Capital Act Considerations*

Before a VCC can raise capital and issue securities that entitle Investors to Tax Credits, it must have an authorization from the SBVCA Administrator to do so. This is referred to as an **"equity allocation"**.

We have received an equity allocation from the SBVCA Administrator authorizing us to raise up to \$10,000,000 of equity capital during the period ending February 15, 2010, up to a further \$10,000,000 of equity capital during the period February 16, 2010 to February 15, 2011, and up to a further \$10,000,000 of equity capital during the period February 16, 2011 to February 15, 2012, for a total of \$30,000,000. In addition, if we sell out our \$10,000,000 equity allocation in any of those years, we can access an additional \$16,000,000 pool of Tax Credit allocation on a first come, first served basis with other retail VCC funds. Therefore, the maximum we may raise in Offered Shares in respect of which Investors may receive Tax Credits for the 2009 taxation year is \$26,000,000, assuming we access the entire excess pool of Tax Credit allocation available to all retail VCC funds.

We may also apply for additional equity capital once an allotment for the year has been raised under the above mentioned timeframes. These allocations are automatically extended by the SBVCA Administrator by one year when the current year expires so that we will have three years of allocations. Investors must subscribe for our Offered Shares by March 1, 2010 in order to be eligible for Tax Credits for the taxation year ended December 31, 2009. Please refer to "Plan of Distribution".

No Tax Credits will be issued to investors who purchase shares in a VCC which does not have either an authorization to raise equity capital or where the authorization has expired prior to the investor's purchase of shares. There are a variety of situations that can arise to cause a VCC to be in non-compliance with the SBVCA. The result of a failure to comply with the legislation varies depending upon the particular nature of the non-compliance. The SBVCA Administrator can require any non-complying VCC to either rectify the circumstances of non-compliance or to pay back the Tax Credits previously issued to its shareholders. For additional particulars on the SBVCA, please refer to "Overview of the Legal Structure of Advantage – Small Business Venture Capital Act Considerations".

## Organization and Management of Advantage

*Manager* Advantage is managed by Lions Capital Corp., a British Columbia company, which provides all management services necessary for the basic day-to-day operation of Advantage. Lions Capital provides the fund management services of Frank Holler, David Raffa, Jim Heppell and Tanner Philp. Please refer to "Organization and Management Details of Advantage – Manager of Advantage". Lions Capital is located at 1280 – 885 West Georgia Street, Vancouver, British Columbia, V6C 3E8.

*Board of Directors* Our Board of Directors currently consists of five Directors. A Director is deemed to be independent of us and Lions Capital (an "**Independent Director**") if the Director is not an employee or Officer (other than the Chairman of the Board) of us or a director, officer or employee of Lions Capital or any Affiliate of Lions Capital, is not an Associate of any such person, and deals with Lions Capital and would, but for being a Director, deal with us at arm's length for the purposes of the Federal Tax Act. The three Independent Directors are David Shore, Brad Bennett and Dr. Avtar Dhillon. The remaining two Directors are Dr. Donald Rix and Frank Holler, each of whom is also a director of Lions Capital. In addition, Frank Holler is an officer of Lions Capital.

Our Board of Directors has overall responsibility for all investments and divestitures made by us, including establishing all policies and procedures in respect thereof. Please refer to "Organization and Management Details of Advantage – Officers and Directors of Advantage".

*Auditor* The auditor of Advantage is KPMG LLP at Suite 900, 777 Dunsmuir Street, Vancouver, British Columbia, V7Y 1K3. Please refer to "Organization and Management Details of Advantage – Auditor".

*Registrar and Transfer Agent* The registrar and transfer agent of Advantage is The Investment Administration Solution Inc. ("**IAS**") at Suite 300 – 350 Bay Street, Toronto, Ontario, M5H 2S6. Please refer to "Organization and Management Details of Advantage – Transfer Agent and Registrar".

## Summary of Fees and Expenses

This table lists the fees and expenses that you may have to pay if you invest in a Fund. You may have to pay some of these fees and expenses directly. Advantage may have to pay some of these fees and expenses, which will therefore reduce the value of your investment in a Fund. For further details, please refer to "Fees and Expenses".

### **Fees and Expenses Payable by Advantage**

<u>Type of Fee</u>	<u>Amount and Description</u>
<i>Annual Management Fee</i>	Pursuant to the Management Agreement, we will pay Lions Capital an annual fee equal to 2.75% of the Pricing Net Asset Value of Advantage. This is currently subject to a maximum of 3% per annum of the equity capital raised by us, and subject to the limitation set out in section 8 of the SBVCA that requires 80% of the equity capital that we raise to be invested in ESBs. Please refer to "Fees and Expenses – Management Fees – Annual Management Fee".
<i>Equity Allocation</i>	Lions Capital is entitled to an equity allocation if, as and when investments are liquidated, subject to achieving two objectives referred to as the Investment Objective and the Exchangeability Objective.  The Investment Objective has been met when an individual investment in a Fund has been liquidated such that the annual internal rate of return on the entire investment, based only on realized gains and gross income, from the investment since its acquisition equals or exceeds 10% per year. (The Advantage Growth Fund has not been managed by Lions Capital since inception, so the calculation for that Fund is different – the return will be calculated since the

later of (a) the investment's acquisition; or (b) November 20, 2007, the date of formal board approval of Lions Capital's agreement to manage that Fund (the applicable date being the "Start Date".)

The Exchangeability Objective has been met when the total realized gains, unrealized gains and net investment income from the portfolio of investments in a Fund have generated a return greater than 8% per year compounded annually measured from the inception of that Fund. (As noted above, the Advantage Growth Fund has not been managed by Lions Capital since inception, so the calculation for that Fund is different – the return of the portfolio of investments will be calculated since the Start Date (as defined above).)

Please refer to "Organization and Management Details of Advantage – Details of the Advantage Management Agreement".

If these two objectives are achieved but the investments have not yet been sold, Lions Capital will not be paid any equity allocation, but an accrued equity allocation liability will be deducted in the Pricing Net Asset Value per Share calculation. If and when an investment is liquidated, the equity allocation, if any, earned on that investment is paid to Lions Capital as a dividend on, or by a redemption or exchange of, its Equity Participation Shares.

*Commission and Service Fees*

At a Selling Agent's option, Advantage will either: (a) pay an up front cash commission to a Selling Agent equal to up to 7.5% of the gross proceeds of the Shares sold by the Selling Agent; or (b) pay an up front cash commission to a Selling Agent equal to 5% of the gross proceeds of the Shares sold by the Selling Agent and a servicing (or trailer) fee of 0.5% per annum of the aggregate Pricing Net Asset Value of the Shares held by clients of the Selling Agent, calculated monthly and paid quarterly.

In the event that we do not pay a cash commission to a Selling Agent through whom an Investor purchased Offered Shares, that Investor may pay per Offered Share an amount equal to 95% of the Pricing Net Asset Value per Share of the respective Fund.

In some situations, we may also pay a corporate finance fee to investment bankers or Selling Agents, such fee to include, without limitation, corporate finance fees, bonuses, and syndication fees. These fees may vary in form and structure, be applied on an individual basis, and be commenced or terminated at any time. Please refer to "Fees and Expenses – Management Fees – Commissions and Service Fees".

*Operating Expenses*

Advantage pays all of its operating expenses including, but not limited to, expenses related to transactions, taxes, legal, audit, transfer agency and registrar fees and other costs of administration, valuation, custodial fees, marketing, security realization, financial and other reports to shareholders and regulatory bodies, advisory fees, Directors' fees and expenses and certain overhead expenses. Advantage has engaged IAS to provide registrar and transfer agency services, and certain other administrative services. Advantage also reimburses Lions Capital for certain expenses incurred by Lions Capital in connection with Lions Capital's obligations under the Management Agreement. Advantage expects that operating expenses may be higher than those of mutual fund and other pooled investment vehicles. Please refer to "Fees and Expenses – Management Fees – Operating Expenses" and "Fees and Expenses – Management Fees – Directors Fees and Expenses".

*GST*

All fees that we pay are exclusive of GST, which we pay in addition to such fees, where applicable. Please refer to "Fees and Expenses – Management Fees – GST".

**Fees and Expenses Payable Directly by You**

<u>Type of Fee</u>	<u>Amount and Description</u>
<i>RRSP/RRIF Fee</i>	We do not currently charge a fee to our Investors for investing through their RRSPs or RRIFs. Investors may be obliged to pay fees directly to their own agents who manage these accounts

for them. Please refer to "Fees and Expenses – Investor Fees – RRSP and RRIF Fee".

*Transfer Fees*

In certain cases, we will charge Investors a transfer fee of \$50. Please refer to "Fees and Expenses – Investor Fees – Transfer Fees".

*NSF Fee*

All NSF cheques will be subject to an NSF fee of \$25.

*Printing and Delivery Fees and Investor Communications*

We will not charge our Investors for any information that we are required to provide shareholders in accordance with the corporate or securities laws of British Columbia. If we decide to provide additional materials, beyond what is required by applicable British Columbia corporate and securities laws, we may require that those of our Investors who require printed information pay a reasonable fee for such additional materials, equal to our printing and delivery costs, subject to compliance with all applicable legislation. Please refer to "Fees and Expenses – Investor Fees – Printing and Delivery Fees and Investor Communications".

*Redemption Fee*

Investors will not pay a fee upon the redemption of Shares. However, in some cases Investors may be required to repay Tax Credits to the British Columbia Ministry of Finance upon redemption if the requirements of the SBVCA have not been satisfied. Please refer to "Overview of the Legal Structure of Advantage – Small Business Venture Capital Act Considerations".

**Annual Returns and Management Expense Ratio**

The following tables provide the returns and the management expense ratios of the Funds (other than the Structured Funds, which did not exist as of December 31, 2008) for each of the past five years as at December 31<sup>st</sup> of each year shown:

**Advantage Venture Fund**Advantage Venture Fund

	2008	2007	2006	2005	2004
<b>Annual Returns</b>	-23.24%	10.94%	-6.03%	-1.28%	-4.46%
<b>MER</b>	5.80%	8.20%	8.36%	9.06%	14.49%

Advantage Technology Fund (1)

	2008	2007	2006	2005	2004
<b>Annual Returns</b>	N/A%	6.36%	1.69%	13.30%	-1.00%
<b>MER</b>	N/A%	8.93%	11.82%	4.51%	11.17%

Advantage Life Science Fund I (2)

	2008	2007	2006	2005	2004
<b>Annual Returns</b>	11.27%	5.55%	7.35%	32.70%	N/A
<b>MER</b>	3.49%	7.27%	6.34%	23.42%	N/A

**Advantage Growth Fund (3)**

	2008	2007	2006	2005	2004
<b>Annual Returns</b>	-28.50%	N/A	N/A	N/A	N/A
<b>MER</b>	5.82%	N/A	N/A	N/A	N/A

(1) On May 22, 2008, the board of directors of our predecessor company B.C. Advantage Funds (VCC) Ltd. exercised the conversion right contained in the company's Articles with the result that all of the Advantage Technology Shares outstanding in our predecessor company converted, effective June 5, 2008, into Advantage Venture Shares of our predecessor company. Upon completion of the Amalgamation, each shareholder received one of our Advantage Venture Shares for each Advantage Venture Share of our predecessor company held. The Net Assets formerly of the Advantage Technology Fund are now incorporated in the Net Assets of the Advantage Venture Fund. Please refer to "Overview of the Legal Structure of Advantage – History of the Amalgamated Companies".

(2) In April 2009, our Board exercised the conversion right contained in our Articles with the result that all of the remaining shares of our Advantage Life Science Fund I were converted to Advantage Venture Shares on April 9, 2009 at an exchange ratio determined on the basis of the relative net asset values per share of the Advantage Life Science Fund I and the Advantage Venture Fund on that date.

(3) In November 2008, our Board passed a resolution to rename the Advantage Life Science Fund II the "Advantage Growth Fund" and to broaden the investment mandate of the Fund to include technology, clean technology and industrial companies as well as life science companies and to invest in companies that have growing revenues, are profitable or approaching profitability and are likely to provide liquidity within a three to five year time frame.

"MER" means management expense ratio. The returns shown above are simple annual year by year returns.

## GLOSSARY OF TERMS

In this Prospectus, unless there is something in the subject matter or context inconsistent therewith, the following capitalized words and terms will have the following meanings. Certain other terms are defined elsewhere in this Prospectus.

<i>Additional Services</i>	means those additional services that we do not regularly require under the Management Agreement, but which we may require Lions Capital to provide to us in addition to the Management Services provided under the Management Agreement. Please refer to “Organization and Management Details of Advantage – Duties and Services to be Provided by the Manager”.
<i>Advantage, we, our or us</i>	means B.C. Advantage Funds (VCC) Ltd., a company amalgamated under the Business Corporations Act and registered as a VCC under the SBVCA.
<i>Advantage Growth Fund</i>	is represented by the Advantage Growth Fund Common Shares and Advantage Growth Fund RRSP Common Shares and such fund will represent investments which Lions Capital, the Board or the Investment Committee have in their discretion approved or allocated to the Advantage Growth Fund. Prior to its change of mandate, the Advantage Growth Fund was the Advantage Life Science Fund II.
<i>Advantage Growth Fund Shares</i>	means the Advantage Growth Fund Common Shares and the Advantage Growth Fund RRSP Common Shares.
<i>Advantage Structured Fund I</i>	is represented by the Advantage Structured Fund I Common Shares and Advantage Structured Fund I RRSP Common Shares and such fund will represent investments which Lions Capital, the Board or the Investment Committee have in their discretion approved or allocated to the Advantage Structured Fund I.
<i>Advantage Structured Fund I Shares</i>	means the Advantage Structured Fund I Common Shares and the Advantage Structured Fund I RRSP Common Shares.
<i>Advantage Structured Fund II</i>	is represented by the Advantage Structured Fund II Common Shares and Advantage Structured Fund II RRSP Common Shares and such fund will represent investments which Lions Capital, the Board or the Investment Committee have in their discretion approved or allocated to the Advantage Structured Fund II.
<i>Advantage Structured Fund II Shares</i>	means the Advantage Structured Fund II Common Shares and the Advantage Structured Fund II RRSP Common Shares.
<i>Advantage Structured Fund III</i>	is represented by the Advantage Structured Fund III Common Shares and Advantage Structured Fund III RRSP Common Shares and such fund will represent investments which Lions Capital, the Board or the Investment Committee have in their discretion approved or allocated to the Advantage Structured Fund III.
<i>Advantage Structured Fund III Shares</i>	means the Advantage Structured Fund III Common Shares and the Advantage Structured Fund III RRSP Common Shares.
<i>Advantage Structured Fund IV</i>	is represented by the Advantage Structured Fund IV Common Shares and Advantage Structured Fund IV RRSP Common Shares and such fund will represent investments which Lions Capital, the Board or the Investment Committee have in their discretion approved or allocated to the Advantage Structured Fund IV.

<i>Advantage Structured Fund IV Shares</i>	means the Advantage Structured Fund IV Common Shares and the Advantage Structured Fund IV RRSP Common Shares.
<i>Advantage Venture Fund</i>	is represented by the Advantage Venture Common Shares and the Advantage Venture RRSP Common Shares and such fund will represent investments which Lions Capital, the Board or the Investment Committee have in their discretion approved or allocated to the Advantage Venture Fund.
<i>Advantage Venture Shares</i>	means the Advantage Venture Common Shares and the Advantage Venture RRSP Common Shares.
<i>Affiliate</i>	if used to indicate a relationship between corporations, means any corporation where one is the subsidiary of the other, or both are subsidiaries of the same corporation or each of them is controlled by the same person or the same group of persons or one or more members of an associated group of persons.
<i>Amalgamated Companies</i>	means the predecessor companies which amalgamated to form Advantage, namely B.C. Advantage Funds (VCC) Ltd. and Pender NDI Life Sciences Fund (VCC) Inc.
<i>Amalgamation</i>	means the amalgamation under the Business Corporations Act on August 8, 2008 of the Amalgamated Companies.
<i>Annuitant</i>	has the same meaning as “annuitant” in the Federal Tax Act.
<i>Approvals</i>	includes without limitation, any requirement imposed under the SBVCA or by the SBVCA Administrator to have the Management Agreement or any provision thereunder, including the payment of any fee or expense under the Management Agreement, approved by our Board of Directors or our shareholders.
<i>Associate</i>	if used to indicate a relationship with a person, means: <ul style="list-style-type: none"> <li>(a) a corporation of which the person owns, directly or indirectly, shares carrying 10% or more of the voting rights attached to all outstanding shares of the corporation;</li> <li>(b) a partner of the person;</li> <li>(c) a participant in a joint venture with the person;</li> <li>(d) a trust or estate: <ul style="list-style-type: none"> <li>(i) in which the person has, in the opinion of the SBVCA Administrator, a substantial beneficial interest; or</li> <li>(ii) of which the person serves as trustee or in a similar capacity;</li> </ul> </li> <li>(e) a Spouse, parent, grandparent, child, grandchild, brother or sister of the person; or</li> <li>(f) a parent, grandparent, child, grandchild, brother or sister of the Spouse of the person residing in the same residence.</li> </ul>
<i>Audit and Valuation Committee</i>	means a committee of our Board of Directors which will be composed of at least three Directors, a majority of whom will be Independent Directors. This committee will carry out certain responsibilities with respect to the determination of the Pricing Net Asset Value per Share of each Fund, the review of our financial statements, and undertake such other duties as are, from time to time, delegated to it by the Board of Directors.
<i>BCSC</i>	means the British Columbia Securities Commission.

<i>B.C. Tax Act</i>	means the <i>Income Tax Act</i> (British Columbia), R.S.B.C. 1996 c. 215, as amended and in force from time to time, and includes all regulations made pursuant to that act.
<i>Business Corporations Act</i>	means the <i>Business Corporations Act</i> (British Columbia), R.S.B.C. 2002, C.57, as amended and in force from time to time, and includes all regulations made pursuant to that act.
<i>Board of Directors or Board</i>	means the Board of Directors of Advantage.
<i>Business Day</i>	means any day of the week other than a Saturday, Sunday or a day that is a statutory holiday in the Province of British Columbia.
<i>Corporate Tax Credit Recipient</i>	means a corporation that purchases Shares of Advantage and maintains a permanent establishment in British Columbia at any time in the taxation year of the corporation in which the corporation subscribed for such Shares of Advantage.
<i>CRA</i>	means the Canada Revenue Agency.
<i>Directors</i>	means the directors of Advantage, and Director means any one of them.
<i>Eligible Investment</i>	means an investment in a Portfolio Company by Advantage. This means an investment permitted by section 10 of the SBVCA.
<i>Eligible Investor</i>	means someone who may purchase Shares of Advantage, being: <ul style="list-style-type: none"> <li>(a) an individual who, at the time of his or her subscription or deemed subscription for Shares of Advantage, is a resident in British Columbia for purposes of the B.C. Tax Act; or</li> <li>(b) a corporation that, at any time during the taxation year in which the Shares are issued, maintained a permanent establishment in British Columbia.</li> </ul>
<i>Eligible Small Business or ESB</i>	means businesses that: <ul style="list-style-type: none"> <li>(a) are corporations;</li> <li>(b) together with their Affiliates have no more than 100 employees, calculated in a prescribed manner;</li> <li>(c) pay (unless otherwise prescribed by regulation) at least 75% of their wages and salaries, calculated in a prescribed manner, to employees who regularly report to work at operations in British Columbia;</li> <li>(d) are substantially engaged (as determined in a manner prescribed by regulation) in British Columbia in one or more of the business activities specified in the SBVCA and/or prescribed by the regulations thereunder (which include those activities in which businesses in which Advantage proposes to invest (see “Investment Strategies”, below) will be substantially engaged); and</li> <li>(e) are not engaged in: <ul style="list-style-type: none"> <li>(i) primary resource exploration or extraction;</li> <li>(ii) financial services such as providing loans, selling insurance, selling real estate or trading in securities;</li> <li>(iii) property management or the rental or leasing of land or improvements;</li> </ul> </li> </ul>

- (iv) the development or improvement of land;
  - (v) agricultural activities, other than non-traditional agricultural activities such as game farming, specialized small crops, livestock and poultry production or high technology enterprises (such as greenhouses or hydroponics crop production, plant propagation, animal genetics or production of breeding stock);
  - (vi) retail or commercial services (unless permitted by regulation);
  - (vii) restaurant or food services; or
  - (viii) the leasing of tangible or intangible personal property to a person for the person's personal consumption or use.
- Equity Participation Shares* means the Class Z Common Shares in the capital of Advantage, which are held by Lions Capital.
- Fair Value* means the fair value as determined by our Audit and Valuation Committee or Board, using our current Valuation Methodology.
- Federal Tax Act* means the *Income Tax Act* of Canada, R.S.C. 1985, c.1 (5<sup>th</sup> Supp.), as amended and in force from time to time, and includes all regulations thereto made pursuant to that act.
- Fund* means any one of the Advantage Venture Fund, the Advantage Growth Fund, the Advantage Structured Fund I, Advantage Structured Fund II, Advantage Structured Fund III, Advantage Structured Fund IV and such other investment funds as the Board may, in its discretion, create.
- Fund Managers* means collectively, Jim Heppell, Tanner Philp, David Raffa and Frank Holler, or any other fund manager appointed by Lions Capital, and Fund Manager means any one of them.
- GAAP* means Canadian generally accepted accounting principles as promulgated by the Handbook of the Canadian Institute of Chartered Accountants.
- IAS* means The Investment Administration Solution Inc., our Registrar and Transfer Agent.
- Independent Director* means a Director of Advantage who is not
- (a) an employee or Officer (other than Chairman of the Board) of Advantage;
  - (b) a director, officer or employee of a Fund Manager or of any Affiliate of a Fund Manager; and
  - (c) is not an Associate of any such person, and who deals with the Fund Managers and would, but for being a Director of Advantage, deal with Advantage at arm's length for the purposes of the Federal Tax Act.
- Individual Tax Credit Recipient* means an individual (other than an estate or trust) who purchases Shares of Advantage and:
- (a) is resident in British Columbia at the time such Shares of Advantage are subscribed for; and
  - (b) is either resident in British Columbia on the last day of the taxation year in which such Shares of Advantage are subscribed for or has income taxable in that taxation year in British Columbia.

<i>Investment Capital Branch</i>	is the operating name for the British Columbia government department that delivers the investment incentive (VCC) program created under the SBVCA.
<i>Investment Committee</i>	means a committee of our Board of Directors which will be comprised of at least three Directors, a majority of whom will be, insofar as possible, Independent Directors. This committee will make decisions regarding our investments and divestitures made or proposed to be made by Advantage, and undertake such other duties as are, from time to time, delegated to it by the Board of Directors.
<i>Investment Policy</i>	means our investment policy, as established and revised from time to time by the Board, including our investment objectives and our investment and divestiture strategies.
<i>Investment Protection Account or IPA</i>	means our investment protection account held at a Canadian chartered bank and established by us as required under the SBVCA.
<i>Investor</i>	means an individual or corporate purchaser of our Shares.
<i>Lions Capital</i>	means Lions Capital Corp., which provides Management Services to us under the Management Agreement.
<i>Management Agreement</i>	means our management agreement with Lions Capital, which was originally made between Lions Capital and our predecessor B.C. Advantage Funds (VCC) Ltd. as of May 1, 2003, and amended October 31, 2003, September 30, 2006, April 11, 2007, August 8, 2008, June 5, 2009 and July 9, 2009, pursuant to which we have retained Lions Capital to provide management services to us.
<i>Management Services</i>	means those management services, described under “Organization and Management Details of Advantage – Services to be Provided by the Manager”, which Advantage may from time to time require to properly and effectively conduct its business.
<i>Mentors</i>	means our network of entrepreneurs, executives, investors, directors, officers and advisors who will work with and invest in our Portfolio Companies.
<i>Net Assets of a Fund</i>	means, at any time, the aggregate Fair Value of the assets that the Audit and Valuation Committee or Board, in its sole discretion, has approved for the applicable Fund using our Valuation Methodology then in effect, less the aggregate of our liabilities, including an estimate of the realizable value or dilutive affect of the Equity Participation Shares held by Lions Capital determined in accordance with our Valuation Methodology then in effect.
<i>Net Assets per Share</i>	means, at any time, in respect of each class of our Shares then issued and outstanding, the Net Assets of a Fund, divided by the number of Shares of that Fund then issued and outstanding.
<i>Offered Shares</i>	means the Advantage Venture Shares, Advantage Growth Fund Shares and Advantage Structured Fund Shares being offered by Advantage under this Prospectus.
<i>Offering</i>	means the offering of our Advantage Venture Shares, Advantage Growth Fund Shares and Advantage Structured Fund Shares pursuant to this Prospectus.
<i>Officers</i>	means the officers of Advantage, and Officer means any one of them.
<i>Permitted Investment</i>	means an investment in a Portfolio Company by Advantage permitted under subsection 18(1) of the SBVCA and the regulations referenced therein. Please

refer to “Investment Restrictions – Statutory Restrictions”.

<i>Portfolio Company</i>	means a company that we invest in.
<i>Pricing Net Asset Value of a Fund</i>	means Net Assets plus any sales commissions and other Share issue costs then unamortized plus or minus an adjustment from bid quotations to last sale prices. Pricing Net Asset Value is described in the December 31, 2008 audited financial statements of our Funds as “Net Asset Value”, consistent with industry practice.
<i>Pricing Net Asset Value per Share</i>	means, at any time, in respect of each class of our Shares then issued and outstanding, the Pricing Net Asset Value of a Fund, divided by the number of Shares of that Fund then issued and outstanding. Pricing Net Asset Value is described in the December 31, 2008 audited financial statements of our Funds as “Net Asset Value”, consistent with industry practice.
<i>Redemption Price</i>	means, in respect of a particular class of our Shares, the Pricing Net Asset Value per Share of a Fund determined as at the end of the Valuation Date which falls on or occurs immediately after the date on which we receive a Redemption Request, and any dividends then declared and remaining unpaid in respect of the Shares of that Fund.
<i>Redemption Request</i>	means a request to us by a holder of Shares to redeem any Shares.
<i>Registrar and Transfer Agent</i>	means IAS or such Registrar and Transfer Agent as may be appointed by the Board in its sole discretion.
<i>RRIF</i>	means a trust governed by a registered retirement income fund, as defined in the Federal Tax Act.
<i>RRSP</i>	means a trust governed by a registered retirement savings plan, as defined in the Federal Tax Act.
<i>SBVCA</i>	means the <i>Small Business Venture Capital Act</i> (British Columbia), R.S.B.C. 1996, c. 429, as amended and in force from time to time, and includes all regulations made pursuant to that Act.
<i>SBVCA Administrator</i>	means the person designated under the SBVCA to perform the duties of the administrator under that Act.
<i>Securities Act</i>	means the <i>Securities Act</i> (British Columbia), R.S.B.C. 1996, c. 418, as amended and in force from time to time, and includes all regulations and rules made pursuant to that Act.
<i>Selling Agents</i>	means any person, company or other entity registered with the BCSC that is permitted, either pursuant to its conditions of registration or pursuant to an order of the BCSC, to distribute the Shares.
<i>Service Provider</i>	means any professional service provider, employee, agent, consultant or advisor who may or may not be an Affiliate of Advantage or Lions Capital, which Lions Capital may retain, from time to time, to assist in providing, and to supplement the provision of, the Management Services.
<i>Shares</i>	means our various classes of common shares without par value in our authorized capital, excluding the Equity Participation Shares. Please refer to “Overview of the Legal Structure of Advantage”.
<i>Special Resolution</i>	means a resolution passed by a majority of not less than 2/3 of the votes cast by those shareholders of Advantage who, being entitled to do so, vote in person or

by proxy at a general meeting of Advantage.

<i>Spouse</i>	means a person who: <ul style="list-style-type: none"> <li>(a) is married to another person; or</li> <li>(b) is living and cohabiting with another person in a marriage-like relationship, including a marriage-like relationship between persons of the same gender, and has lived and cohabited in that relationship for a continuous period of six months.</li> </ul>
<i>Structured Funds</i>	means, collectively, the Advantage Structured Fund I, the Advantage Structured Fund II, the Advantage Structured Fund III and the Advantage Structured Fund IV.
<i>Tax Credit</i>	means the tax credit granted to an investor for a subscription for shares of a company registered as a VCC under the SBVCA.
<i>Tax Credit Certificate</i>	means the certificate issued or to be issued, pursuant to subsection 20(4) of the SBVCA, to a Tax Credit Recipient.
<i>Tax Credit Recipient</i>	means an Individual Tax Credit Recipient or a Corporate Tax Credit Recipient.
<i>TFSA</i>	means a Tax Free Savings Account as defined in the Federal Tax Act.
<i>Valuation Date</i>	means such days as may, from time to time, be determined by Advantage on which the Net Assets per Share of a Fund will be calculated.
<i>Valuation Methodology</i>	means the methodology by which we determine the Pricing Net Asset Value of a Fund, the Pricing Net Asset Value per Share of a Fund, and the Fair Value, as established and revised from time to time by our Board in its sole discretion. Please refer to "Calculation of Net Assets – Valuation Policies and Procedures".
<i>Venture Capital Corporation or VCC</i>	means a company registered as such under the SBVCA.

## **FORWARD-LOOKING STATEMENTS AND RISK FACTORS**

Certain statements and information in this Prospectus, including all statements that are not historical facts, contain forward-looking statements and forward-looking information within the meaning of applicable Canadian securities laws. Such forward-looking statements or information include, but are not limited to, statements or information with respect to our investment goals and strategies. Often, these statements include words such as "plans", "expects" or "does not expect", "is expected", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate" or "believes" or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved.

With respect to forward-looking statements and information included in this Prospectus, we have made numerous assumptions including, among other things, assumptions about our ability to raise capital on a tax incentive basis, the prospects for success of our Portfolio Companies, anticipated costs and expenditures and our ability to achieve our goals. Even though management of Advantage believes that the assumptions made and the expectations represented by such statements or information are reasonable, there can be no assurance that the forward looking statement will prove to be accurate. By their nature, forward-looking statements and information are based on assumptions and involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by such forward-looking information. Such risks, uncertainties and other factors include, among other things, uncertainties relating to the amount of capital we may raise on a tax free basis, the continuation of the government program under which Tax Credits are provided, the ability of shareholders to dispose of their Shares, our ability to complete a Redemption Request, our ability to find suitable investments in ESBs and the success of our Portfolio Companies.

See "Risk Factors" for additional information on risks, uncertainties and other factors relating to the forward-looking statements and information. Although we have attempted to identify factors that would cause actual actions, events or results to differ materially from those disclosed in the forward-looking statements or information, there may be other factors that cause actual results, performances, achievements or events not to be anticipated, estimated or intended. Also, many of the factors are beyond the control of Advantage. Accordingly, readers should not place undue reliance on forward-looking statements or information. Except as may be required by applicable law (for example, British Columbia securities laws require discussion of forward-looking information, if any, provided in prior Management Reports of Fund Performance that has been rendered potentially misleading by intervening events), Advantage undertakes no obligation to reissue or update forward-looking statements or information as a result of new information or events after the date of this Prospectus. All forward-looking statements and information made in this document are qualified by this cautionary statement.

## OVERVIEW OF THE LEGAL STRUCTURE OF ADVANTAGE

Advantage was formed as the result of the Amalgamation on August 8, 2008 under the Business Corporations Act of the Amalgamated Companies, namely B.C. Advantage Funds (VCC) Ltd. and Pender NDI Life Sciences Fund (VCC) Inc. Shareholders of the Amalgamated Companies approved the Amalgamation at annual and special shareholders meetings that took place on June 25, 2008. Pursuant to the Amalgamation, all of the issued and outstanding shares of the Amalgamated Companies were exchanged for shares of Advantage on a one-for-one basis.

We have an authorized share structure of 19 classes of common shares comprised of 1,000,000,000 common shares each. The rights and restrictions attached to 18 of the classes of common shares (collectively, our "**Shares**") are identical – the only differences between these classes of Shares relate to the specific investment focus of each class of Shares, and the Pricing Net Asset Value per Share of the Fund they represent.

The remaining class of common shares is our Class Z Common Shares (the "**Equity Participation Shares**"). 6,000,000 Equity Participation Shares are currently outstanding, all of which are held by Lions Capital. The value in these Equity Participation Shares can only be realized by their holders pursuant to the terms of the Management Agreement. The Equity Participation Shares only have value to Lions Capital after certain investment objectives are met. Please refer to "Organization and Management Details of Advantage – Details of the Advantage Management Agreement" and "Description of the Securities Distributed".

Our Articles are substantially the same as the Articles of our predecessor company B.C. Advantage Funds (VCC) Ltd. with one exception. Our quorum requirement was decreased from two persons who are, or who represent by proxy, shareholders who, in the aggregate, hold at least 5% of the issued shares entitled to be voted at a meeting to two persons who are, or who represent by proxy, shareholders who, in the aggregate, hold at least 2% of the issued shares entitled to be voted at a meeting.

On May 22, 2008, the board of directors of our predecessor company B.C. Advantage Funds (VCC) Ltd. exercised the conversion right contained in the company's Articles with the result that all of the Advantage Technology Shares outstanding in our predecessor company converted, effective June 5, 2008, into Advantage Venture Shares of our predecessor company. Upon completion of the Amalgamation, each shareholder received one of our Advantage Venture Shares for each Advantage Venture Share of our predecessor company held. The investments formerly held by the Advantage Technology Fund are now held by the Advantage Venture Fund.

Immediately following the conversion of the Advantage Technology Shares, the board of directors of our predecessor company B.C. Advantage Funds (VCC) Ltd. exercised the conversion right contained in the company's Articles with the result that all of the outstanding Advantage Venture Common Shares that were held in an RRSP, or other registered account, were converted into Advantage Venture RRSP Common Shares. We expect our Board to exercise the conversion right annually and in the normal course of business in order to track whether or not Investors hold their Shares in an RRSP, or other registered account. Please refer to "Attributes of the Securities Being Distributed – Description of the Securities Distributed".

In November 2008, our Board passed a resolution to rename the Advantage Life Science Fund II the "Advantage Growth Fund" and to broaden the investment mandate of the Fund to include technology, clean technology and industrial companies as well as life science companies.

In April 2009, our Board exercised the conversion right contained in our Articles with the result that all of the remaining shares of our Advantage Life Science Fund I were converted to Advantage Venture Shares on April 9,

2009 at an exchange ratio determined on the basis of the relative net assets per share of the Advantage Life Science Fund I and the Advantage Venture Fund on that date. The Advantage Life Science Fund I no longer exists as an active Fund, as it has no outstanding Shares and holds no investments.

In June and July 2009, our Board passed resolutions creating the four Structured Funds, namely the Advantage Structured Fund I, the Advantage Structured Fund II, the Advantage Structured Fund III and the Advantage Structured Fund IV, and assigning existing classes of our share capital to the Structured Funds. Our Board determined that the class of our shares formally known as our "Class B Common Shares" in our Articles will be referred to as the "Advantage Structured Fund I Common Shares", the "Class B RRSP Common Shares will be referred to as the "Advantage Structured Fund I RRSP Common Shares", the "Class C Common Shares will be referred to as the "Advantage Structured Fund II RRSP Common Shares", the "Class C RRSP Common Shares will be referred to as the "Advantage Structured Fund II RRSP Common Shares", the "Class D Common Shares will be referred to as the "Advantage Structured Fund III Common Shares", the "Class D RRSP Common Shares will be referred to as the "Advantage Structured Fund III RRSP Common Shares", the "Class E Common Shares will be referred to as the "Advantage Structured Fund IV Common Shares" and the "Class E RRSP Common Shares will be referred to as the "Advantage Structured Fund IV RRSP Common Shares". At our next convenient opportunity, we expect to seek shareholder approval to formally change the names of these classes of shares in our Articles to reflect the creation of the Structured Funds.

Our registered and records office is located at Suite 2900 – 550 Burrard Street, Vancouver, British Columbia, V6C 0A3. Our head office is Suite 1280 – 885 West Georgia Street, Vancouver, British Columbia, V6C 3E8.

Advantage is not considered a "mutual fund" under applicable British Columbia securities legislation. We are registered as a VCC under the SBVCA. The SBVCA authorizes the British Columbia Ministry of Economic Development to register as VCCs, companies that are established to make investments in ESBs in accordance with the provisions of the SBVCA, and to provide business and managerial advice to ESBs in which they make or propose to make investments. The SBVCA regulates a VCC's capitalization, Eligible Investments, Permitted Investments and the Investment Protection Account. The Province of British Columbia in no way guarantees the value of any shares issued by a VCC registered under the SBVCA, nor does it in any way express an opinion as to the financial condition of the issuing company, or the merits of the issuing company's investments in ESBs. For further discussion of the SBVCA, please refer to "Small Business Venture Capital Act Considerations" below.

### **History of the Amalgamated Companies**

#### ***B.C. Advantage Funds (VCC) Ltd.***

Our predecessor company B.C. Advantage Funds (VCC) Ltd. was incorporated under the predecessor to the Business Corporations Act on October 1, 2002 under the name of 655601 B.C. Ltd. with an authorized share capital of 1,000,000,000 common shares without par value and 100,000,000 preferred shares without par value. On November 27, 2002, it changed its name to Mentor Capital (VCC) Corp. On the same date, it also altered its constating documents by adding certain restrictions on its business so as to enable it to register as a VCC under the SBVCA.

On December 4, 2002, it altered its constating documents to reduce its authorized capital by the cancellation of the preferred shares. On April 24, 2003, it changed its name from Mentor Capital (VCC) Corp. to B.C. Advantage Fund (VCC) Ltd. On May 16, 2003, it changed its name from B.C. Advantage Fund (VCC) Ltd. to B.C. Advantage Funds (VCC) Ltd. and consolidated all of its issued and unissued common shares on a three-to-one basis from 1,000,000,000 common shares to 333,333,333.33 common shares and then subsequently increased the authorized common shares back to 1,000,000,000 common shares.

On September 8, 2003, it altered its constating documents to increase its authorized share capital from 1,000,000,000 common shares to 22,000,000,000 common shares divided into 22 classes of common shares, with an authorized share capital of 1,000,000,000 per class of common shares.

On November 19, 2003, it amended its constating documents to reduce its authorized share capital from 22,000,000,000 common shares to 19,000,000,000 common shares, divided into 19 classes of common shares, with an authorized share capital of 1,000,000,000 per class of common shares.

On October 7, 2004, it amended its constating documents to provide for the following:

- (a) to change the name and designation of the "Life Sciences" common shares to "Advantage Venture" common shares;
- (b) to change the name and designation of the "Life Sciences RRSP" common shares to "Advantage Venture RRSP" common shares;
- (c) to change the name and designation of the "Class A" common shares to "Life Science Venture" common shares;
- (d) to change the name and designation of the "Class A RRSP" common shares to "Life Science Venture RRSP" common shares; and
- (e) to provide for an amendment to the rights and restrictions attaching to its shares that allowed it to require that any class of its shares be converted into another class of its shares, so long as such conversion was based upon the respective Pricing Net Asset Value per Share of the respective classes of shares.

On March 29, 2004, the Business Corporations Act came into force and prescribed that all existing companies incorporated under the former *Company Act* (British Columbia) must transition to the Business Corporations Act within two years of the Business Corporations Act coming into force. B.C. Advantage Funds (VCC) Ltd. completed its transition to the Business Corporations Act on October 7, 2004. On June 17, 2004, it adopted new Articles consistent with the provisions of the Business Corporations Act.

On July 29, 2004, its board of directors approved a resolution authorizing it to complete a plan of arrangement with Qwest Emerging Biotech (VCC) Fund Ltd. ("**Qwest**"), pursuant to which all of the issued and outstanding common shares of Qwest were exchanged for Advantage Life Science Shares. (The Advantage Life Science Shares were later renamed the Advantage Life Science Fund I Shares and formed the Advantage Life Science Fund I. The Advantage Life Science Fund I no longer exists as an active Fund, as it has no outstanding Shares and holds no investments.)

On June 29, 2006, it amended its articles to remove a restriction on redemption of shares contained in the special rights and restrictions attached to all classes of shares other than the Equity Participation Shares. The restriction prohibited it from completing a redemption of shares requested by a shareholder if the amount to be redeemed, when added to the total amount of all previous redemptions of shares in the same fiscal year, would exceed certain financial thresholds, namely 20% of its retained earnings, or 50% of its net earnings after taxes for its previous fiscal year.

On May 22, 2008, its board of directors exercised the conversion right contained in its Articles in respect of the shares of the former Advantage Technology Fund, with the result that all of the issued and outstanding shares of such fund converted, effective June 5, 2008, into shares of its Advantage Venture Fund. The share conversion ratio was determined on the basis of the relative net assets per share of the two funds. The board of directors also exercised the conversion right contained in the company's Articles with the result that all of the outstanding Advantage Venture Common Shares that were held in an RRSP, or other registered account, were converted into Advantage Venture RRSP Common Shares.

#### ***Pender NDI Life Sciences Fund (VCC) Inc.***

Our predecessor company Pender NDI Life Sciences Fund (VCC) Inc. was incorporated under the predecessor to the Business Corporations Act on July 4, 2003 under the name NDI Life Sciences Fund (VCC) Ltd. with an authorized share capital of 200,000,000 common shares and 20,000,000 Common Shares, Series 1 (the "**Series 1 Shares**"). On August 16, 2004, its name was changed to Pender NDI Life Sciences Fund (VCC) Inc.

On March 29, 2004 the Business Corporations Act came into force and it completed its required transition under the Business Corporations Act on August 16, 2004. On August 17, 2004, it adopted new Articles consistent with the provisions of the Business Corporations Act. On May 10, 2006, it amended the redemption provisions of the rights and restrictions attached to its Series 1 Shares.

In 2007, Lions Capital acquired its management agreement from its former manager, PenderFund Capital Management. In connection with the change of managers, it underwent a rebranding process and started doing business as Advantage Life Science Fund II. Pender NDI Life Sciences Fund (VCC) Inc.'s management agreement terminated upon completion of the Amalgamation. The Fund formerly contained in Pender NDI Life Sciences Fund (VCC) Inc. is now the Advantage Growth Fund.

### **Small Business Venture Capital Act Considerations**

We are a VCC registered under and regulated by the SBVCA.

Before we can raise equity capital and issue Shares that entitle the holder to Tax Credits, we must have an authorization from the SBVCA Administrator to do so. All authorizations granted to VCCs such as us are specific both with respect to the maximum amount of equity capital that the VCC can raise and with respect to the length of time in which the raising of funds can occur. A VCC may only issue common voting shares without par value that come with no special rights or restrictions except for those that apply to the redemption of shares by the VCC. **No Tax Credits will be issued to investors who purchase shares in a VCC that does not have an authorization to raise equity capital or where such authorization has expired prior to the investors' purchase of shares.** The SBVCA Administrator can extend the authorization period and establish a new expiration date. As there is no assurance that such an extension would always be granted, investors should verify that they are purchasing their shares in a VCC within a duly authorized period of time. Further, there is no guarantee that a VCC will receive approval to raise additional equity capital after the expiry date of this authorization.

The amount of Tax Credits that may be issued each year to eligible investors is limited by section 29.1 of the SBVCA and section 21 of the regulations to the SBVCA. Please note this Tax Credit "cap" and the level of demand from program participants may limit the amount of equity capital that a VCC may raise from its investors in the current year.

For greater certainty, no representations, warranties, agreements or undertakings of any kind have been given which purport to alter or diminish any of the rights of the Province of British Columbia arising under the aforementioned sections of the SBVCA and its regulations to place limitations on the annual maximum venture capital incentive amount in any calendar year.

As of June 4, 2009, we have sold a total of 33,421 Offered Shares for a total of \$208,176 in respect of which Investors are entitled to receive Tax Credits for the 2009 taxation year. Accordingly, we may raise up to an additional \$25,791,824 in Offered Shares in respect of which Investors may receive Tax Credits for the 2009 taxation year. More specifically, we may raise at least \$10,000,000 in Offered Shares in respect of which Investors may receive Tax Credits for the 2009 taxation year. In addition, if we sell out our \$10,000,000 equity allocation, we can access an additional \$16,000,000 pool of Tax Credit allocation on a first come, first served basis with other retail VCC funds. Therefore, the maximum we may raise in Offered Shares in respect of which Investors may receive Tax Credits for the 2009 taxation year is \$26,000,000, assuming we access the entire excess pool of Tax Credit allocation available to all retail VCC funds.

If we sell our entire equity capital allocation for the 2009 taxation year, including any amounts we are able to access from the \$16,000,000 retail VCC pool of additional Tax Credit allocation, prior to January 1, 2010, we will suspend sales of our Offered Shares until January 1, 2010, at which point we will begin selling our Offered Shares that are eligible to receive Tax Credits for the 2010 taxation year. If we receive from the SBVCA Administrator an additional equity allocation(s) for the 2009 taxation year, this Prospectus will qualify the sale of those additional Offered Shares and we will continue selling our Offered Shares that are eligible to receive Tax Credits for the 2009 taxation year up until the earlier of March 1, 2010 or such date as we have sold such additional allocation(s). There is no guarantee that we will sell out of all of our entire equity allocation(s) for the 2009 taxation year prior to the end of the 2009 tax season or, if we were able to do so, that the SBVCA Administrator would grant us any additional allocations for the 2009 taxation year. Please refer to "Plan of Distribution" and "Risk Factors".

We will apply for a 30% Tax Credit on behalf of all individuals (other than estates or trusts) who subscribe for or are deemed to subscribe for Offered Shares under this Offering and are Eligible Investors. For individuals to earn a Tax Credit, their investment must be within a calendar year or within 60 days following the year. Tax Credit Certificates will only be issued if we comply with both the technical requirements and the intent of the SBVCA.

Tax Credits are, in the discretion of the SBVCA Administrator, issued to Eligible Investors in respect of the taxation year when we receive the cash for the Offered Shares purchased during the calendar year or on or before March 1 in the following year, provided that, at the time payment is received for the Offered Shares for which they have subscribed, we have an approval from the SBVCA Administrator to raise equity capital.

There are a variety of situations that can arise to cause a VCC to not be in compliance with the SBVCA. The result of a failure to comply with the legislation varies, depending upon the particular nature of the non-compliance, but,

essentially, the SBVCA Administrator can require any non-complying VCC to either rectify the circumstances of non-compliance or to pay back the Tax Credits previously issued to its shareholders. In some circumstances, the directors, officers or major shareholders of a VCC may be held jointly liable to repay Tax Credits to the Province of British Columbia.

The SBVCA currently provides that a venture capital corporation may not acquire any of its own shares without incurring a liability to repay all or a specified portion of the Tax Credits that were issued in respect of the shares acquired, depending on the price at which they are acquired. The SBVCA also currently provides that in such circumstances, if the VCC has conducted its business and affairs in a manner consistent with the SBVCA and has held the eligible investment for at least three years, then the SBVCA Administrator may reduce the amount that would otherwise be payable.

**In registering Advantage under the SBVCA, the Province of British Columbia makes no representations with respect to any tax considerations discussed in this document other than with respect to those dealing with the British Columbia Tax Credit available in respect of the purchase of our Advantage Venture Shares, Advantage Growth Fund Shares and/or Advantage Structured Fund Shares.**

**The Province of British Columbia in no way guarantees the value of any securities issued by a venture capital corporation registered under the SBVCA. Nor does it in any way express an opinion as to the financial condition of any Eligible Small Business, the merits of an investment in securities of the venture capital corporation, or the merits of the venture capital corporation's investments in Eligible Small Businesses.**

**This Prospectus has not been reviewed by the Investment Capital Branch staff. Any matters that concern Investors should be reviewed with their own personal advisers. Prospective Investors are advised and encouraged to seek independent legal, tax and accounting advice with respect to this investment. Prospective Investors are also advised that our solicitors and accountants do not act for the individual Investor in this transaction.**

The foregoing summary is very general and any purchasers who require further information on the provisions of the SBVCA or its regulations pursuant thereto are advised to consult their legal advisers.

### **INVESTMENT OBJECTIVES**

Our objective is to provide Investors with superior returns by investing primarily in emerging technology, clean-tech and life science companies located in British Columbia.

The foregoing objective is the same for all classes of Shares, save and except that:

- (a) the objective for the Advantage Venture Shares is to invest in emerging life science, clean-tech and technology companies;
- (b) the objective for the Advantage Growth Fund Shares is to invest in emerging life science, clean-tech and technology companies, including companies that have growing revenues, are approaching profitability or profitable and are likely to provide liquidity within a three to five year time frame;
- (c) the objective for the Advantage Structured Fund I Shares is to invest primarily in emerging technology, clean-tech and life science companies;
- (d) the objective for the Advantage Structured Fund II Shares is to invest primarily in emerging technology, clean-tech and life science companies;
- (e) the objective for the Advantage Structured Fund III Shares is to invest primarily in emerging technology, clean-tech and life science companies; and
- (f) the objective for the Advantage Structured Fund IV Shares is to invest primarily in emerging technology, clean-tech and life science companies.

We invest in equity securities and securities convertible into equity, such as convertible debt. All of our investments must be made in compliance with the SBVCA. The SBVCA restricts us, with some minor exceptions, to acquiring only certain types of securities, referred to as eligible securities, of only certain types of businesses, referred to as Eligible Small Businesses or ESBs, in addition to certain other investments permitted under the SBVCA.

## **INVESTMENT STRATEGIES**

### **Investment Strategies**

#### ***Investment Strategies***

Advantage's strategy is to invest primarily in emerging British Columbia based technology, clean-tech and life science companies with the objective of realizing long-term capital appreciation.

We intend to invest at the emerging of a company's existence in what is commonly referred to as a "seed" or "angel" round and through multiple rounds of financing as the company matures. Our typical initial investment will be in the \$500,000 to \$1,000,000 level, although we will not restrict our initial investments to this range. This round of investment usually comes after the company has had some initial investment of its founders and their friends and family, or government grants and loans.

We expect that some of our investments will be made before venture capitalists or strategic partners invest, and often before a company goes public. However, in the interests of securing the best returns possible for our Investors, we will not rule out investing alongside venture capitalists or even after a company has gone public. Investments in later rounds will typically be in the \$1,000,000 to \$3,000,000 range, and potentially more.

#### ***Increasing Shareholder Value***

Lions Capital, our Fund Managers and Mentors, when necessary or advantageous to our Investors, work closely with entrepreneurs to build the value of their businesses. We work to provide Portfolio Companies with the capital to develop their technologies, to launch new products, increase sales and marketing activity, enter new markets and expand production facilities. In addition, we use our network to help introduce opportunities and Mentors to our Portfolio Companies to help them grow and succeed.

#### ***Co-Investing and Syndication***

We expect that some of our investments will be made alongside other angel or early stage investors which may include venture capitalists, other VCCs, and our Directors, Officers and Mentors. Participation with other investors will increase our investment opportunities and bring other value added investors to our Portfolio Companies.

We work to establish relationships with follow-on investors, such as venture capitalists and investment bankers, both in Canada and in the United States, to provide a source of capital for our Portfolio Companies to follow-on from our investments.

#### ***Sourcing Opportunities***

Our model is to use our networks and strategic relationships to source investment opportunities. We expect to rely on the following groups to locate investment opportunities:

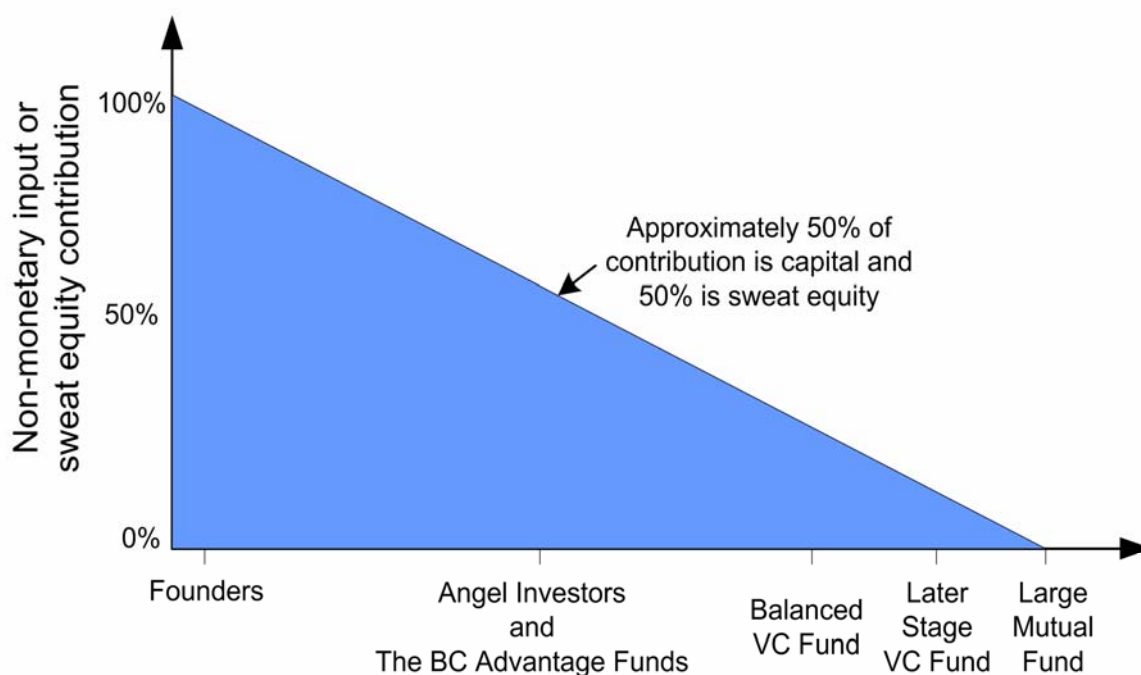
- (a) the management and board of Lions Capital, which includes a number of well-respected and successful technology and life science entrepreneurs;
- (b) our Board members;
- (c) our Mentor network, which includes a number of prominent and successful local technology and life science entrepreneurs; and
- (d) our co-investors and, in particular, the British Columbia angel and venture capital communities.

By using our networks to source opportunities, we will inevitably find ourselves interested in opportunities that one or more of our Directors, Officers or Mentors has an interest in. We do not rule these opportunities out and in fact we rely on these networks to source opportunities for us. To deal with the potential conflicts, we have a Conflicts of Interest Policy, approved by our Board, which requires any person to disclose their interest in a potential Portfolio Company and excludes such person from voting on whether or not we should invest. Please refer to "Organization and Management Details of Advantage - Conflicts of Interest" and "Interests of Management and Others in Material Transactions".

### ***Building Early Stage Companies***

Our most important objective is to maximize the return to our Investors. Returns are primarily determined by the capability of the fund managers, directors and advisors of a fund. Larger funds have the financial resources to recruit a wide variety of experienced personnel; smaller funds, because of their limited resources, do not. To address this, we believe that we have developed the optimal structure for a smaller, early stage investment fund. We refer to this as our "Mentor Model".

Our structure is built on the belief that Portfolio Companies need two key ingredients to succeed – human capital and financial capital. The former is provided by the founders and management team of the Portfolio Companies themselves, as well as by their directors and advisors, some angel investors and our Mentors. The latter is provided by pure monetary investors. It is our belief that for early stage companies, the value of "sweat equity" – the company building contribution of the human capital – is at least as valuable as the financial capital provided. In simple terms, we believe that the relative values of "sweat equity" in the life of a company might look something like this:



### ***Our Mentor Model***

Traditional investment funds sometimes introduce potential senior officers to Portfolio Companies and often provide and assist in recruiting board members and advisors. To accomplish this, they use their networks as well as traditional human resource placement firms. This works well for later stage companies, but larger funds cannot usually provide as much help as early stage companies typically need. This is one of the reasons that large funds gravitate towards making larger investments in later stage companies. They require less help in the form of human capital, and less portfolio management by the fund itself.

The traditional model works well for larger investments and later stage companies, where often capital is available to be deployed to secure additional personnel. It also works well for more mature companies because they usually have a more fully developed management team. However, we believe that it does not work well for early stage companies and smaller funds that make smaller, earlier stage investments. These companies will not typically have enough capital on hand to secure all of the personnel they need, and the funds which invest in them often do not have the bandwidth necessary to help build the companies.

To address the particular needs of the emerging companies we invest in, we have developed a unique model. We use our extensive network to introduce potential executives, employees, directors and advisors that have particular

expertise in building emerging life science, technology and clean-tech companies (which we refer to as "**Mentors**") to our Portfolio Companies. Further, we encourage our Mentors and our Portfolio Companies to determine between themselves the level of their involvement and their compensation. We believe that by keeping this process separate, we offer the fairest way to deal with our Portfolio Companies, and the fairest way to deal with our Mentors. Because they will be encouraged to negotiate the form of compensation and participation separately, we believe that our model will work better for the following reasons:

- Mentors can ensure that they are appropriately compensated directly by Portfolio Companies, and not indirectly through participation in Advantage. We believe that this is the most fair and flexible formula for our Mentors and Investors. Furthermore, because Mentors will be compensated directly by the Portfolio Companies that they become mentors for, we believe that this creates the greatest alignment and incentive for them to succeed.
- We will be able to have our discussions with Portfolio Companies on a simple and straightforward cash for equity basis, without complicating the discussion with provisions for sweat equity. This is essential if all parties are to be treated fairly in a syndicated investment. This was one of the failures of the incubator model. The incubator model was a model in which a party took equity in a company in return for that party's contribution of a combination of sweat equity and cash. The combination of sweat equity and cash complicated the valuation discussion with companies.
- Each Portfolio Company will determine how much or how little mentoring it needs, what it is prepared to pay for it and how it will be earned or vested. This is the fairest result for a Portfolio Company.
- Investors' returns will not be directly burdened, as we will not be compensating our Mentors directly from any of our Funds. This is the fairest result for our Investors.

By using our Mentors to build Portfolio Companies and source and review investment opportunities for us, we will inevitably find ourselves interested in opportunities that we or one or more of our Mentors have a current interest in, or create a situation where a Mentor comes to have an interest in one of our Portfolio Companies. We encourage our Mentors to introduce opportunities to us and in fact we rely on our network to help source and review opportunities. We also encourage our Portfolio Companies to work with us and our Mentors before and after investment. To deal with the potential conflicts that may arise, we have established a Conflicts of Interest Policy, approved by our Board, which requires our Directors and Officers, and those of Lions Capital, to disclose their interest in a potential Portfolio Company and exclude themselves from voting on whether or not we should invest. This policy is simple, clear and effective.

### ***Our Mentors***

Our Mentors are individuals who have through their own involvement in building companies developed expertise in building successful life science, technology and clean-tech companies. They provide advice to us on specific investment opportunities, and are interested in becoming directors, officers or investors in one or more of our Portfolio Companies.

Mentors may acquire equity in our Portfolio Companies, either in the form of shares or options, and they may be paid salaries or fees as well. Mentors negotiate these fees or equity allocations directly with our Portfolio Companies and they retain the fees and equity for themselves. Mentors do not receive any compensation from us for serving as Mentors to our Portfolio Companies. Mentors (other than those Mentors who are also Directors and/or Officers of Advantage and/or Lions Capital) are not considered to be Members of our Team for the purposes of our conflicts of Interest Policy. Mentors in this category may choose to co-invest with us in a Portfolio Company; however, in such circumstances they are making personal investment decisions, not acting jointly or in concert with Advantage. Please refer to "Organization and Management Details of Advantage – Conflicts of Interest".

### ***Inter-Fund Investment Policy***

If an investment is currently held by a Fund (the "**Current Fund**"), including any other current and/or future funds managed by Lions Capital other than the Advantage Funds, and a follow-on investment in that company meets the criteria of more than one Fund, the investment will be allocated first to the Current Fund to maintain its pro rata ownership in the investment. Once the Current Fund has been allocated the investment to maintain its pro rata ownership in the investment, the remaining investment, if any, will be allocated to the Funds pro rata based on

relative net assets. A new investment will be allocated to eligible Funds pro rata based on relative net assets. In determining relative net assets between Funds, only like net assets are accounted for. For example, the Advantage Venture Fund invests in technology, clean-tech and life science Portfolio Companies. In determining the pro rata allocation of a new life science investment, only the life science net assets of the Advantage Venture Fund are included in the pro rata calculation.

Notwithstanding the above allocation policies, Lions Capital will typically not allocate an investment to a Fund if: (a) the amount of such investment would not be material to that Fund; (b) the Fund does not have sufficient cash available, taking into consideration, if applicable, the current and future operating expenses of the Fund; or (c) the Fund is within two years of termination. Generally, Lions Capital may use its discretion in allocating investments to take into consideration any relevant factors. In applying its discretion, Lions Capital will consider the following factors: (a) available cash in the respective Fund; (b) time to termination; (c) investment pacing requirements; and (d) any other relevant factor. If Lions Capital allocates an investment using its discretion, Lions Capital will seek the approval of the Investment Committee.

### ***Selection Process***

The Fund Managers review executive summaries and business plans and select companies to make presentations to Lions Capital, with follow-on meetings as appropriate. Prospective Portfolio Companies are short-listed and the Fund Managers conduct more detailed due diligence on these companies.

Initial due diligence usually includes detailed discussions with management, site visits, reviews of comparable companies, customer or prospective customers, interviews, financial reviews, and obtaining the advice of our Board and our other key industry contacts. Prospective Portfolio Companies that are favourably reviewed are subjected to more extensive due diligence, which typically includes scientific due diligence, financial due diligence, reference checks on management, an in-depth review of the company's business model, intellectual property reviews, market reviews and legal due diligence. Furthermore, we conduct extensive interviews with management, customers, business partners and other parties of interest.

The approval of Lions Capital must be obtained prior to Advantage proceeding with an investment of \$500,000 or less, making a divestiture, or making a follow-on investment into a portfolio company. Lions Capital will only make a decision to invest or divest, after carrying out substantial due diligence and upon the Chief Executive Officer, the President, the Chief Operating Officer and the Chief Financial Officer unanimously approving the decision. Once an investment has been approved by the unanimous consent of the Chief Executive Officer, President, Chief Operating Officer and Chief Financial Officer, any one or more of the executives is empowered to take the necessary steps to execute the investment.

The approval of Lions Capital and the Investment Committee must be obtained prior to Advantage proceeding with:

- (a) an initial investment of more than \$500,000;
- (b) an investment which, when aggregated with all previous investments by Advantage into the Portfolio Company, represents more than 10% of the net assets of the applicable Fund; or
- (c) an investment in which a senior officer or director of Lions Capital has a material interest. Materiality will be determined in the context of the size of the interest in relation to the overall assets of the senior officer or director.

The investment approval process of Advantage is reviewed by the Board on an annual basis, to determine whether the process should be modified in any way.

### ***Non-Qualified Investments***

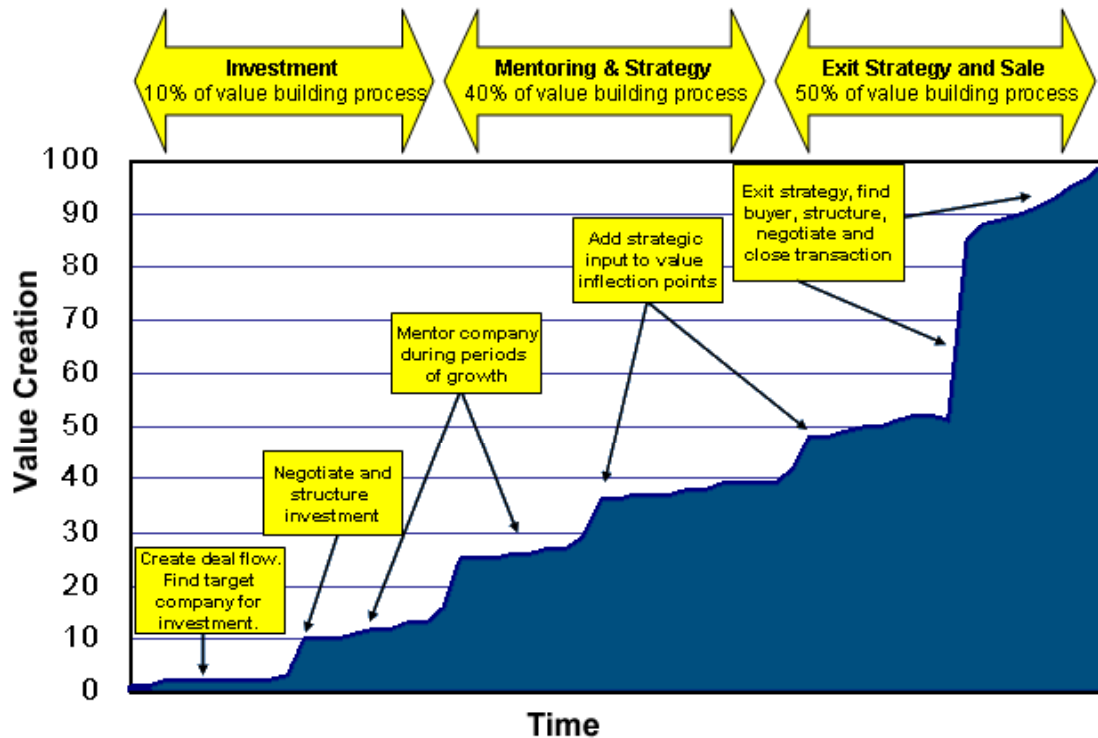
We do not invest in investments not qualified under the SBVCA, other than in respect of profits realized, which may be invested in non-qualified investments, in accordance with the SBVCA.

### ***Maximizing Return on Investment***

We believe that one of the most important elements of our investment strategy is the creation of value that occurs after the initial investment is made. Our Fund Managers work closely with our Portfolio Companies in the

development of their business strategies, assembly of management teams and boards of directors and advisors, identification and pursuit of strategic partners, execution of business plans, securing follow-on funding, and on the sale of the company or accessing the public markets. In addition, we introduce our Mentors to our Portfolio Companies or potential Portfolio Companies where there is a fit to further help supplement the company building process.

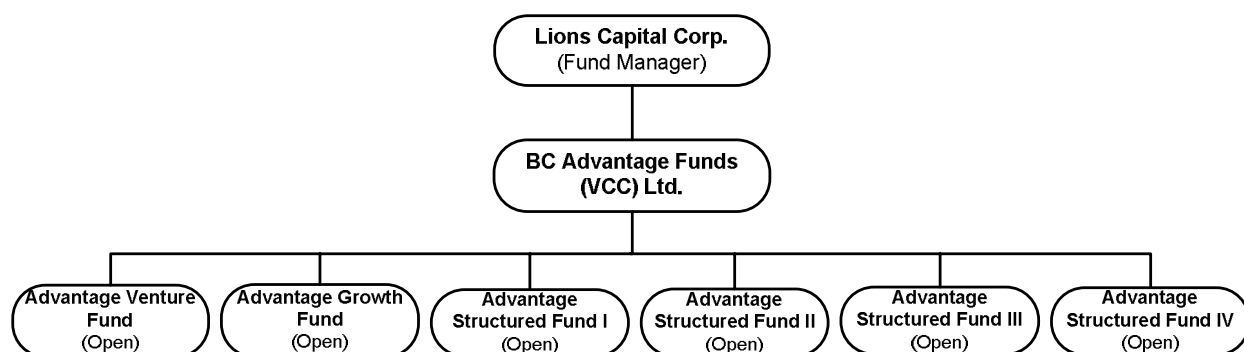
We believe the process of exiting, or divesting, our investments can create significant incremental returns to our Investors. This is illustrated in the accompanying graphic. Lions Capital may contract with some of our Portfolio Companies to facilitate these processes with a goal to maximizing shareholder value for our Investors.



Investors should be aware that our investment objectives will be realized, if at all, over the long term. Since we generally acquire equity securities, such as common or preferred shares, of Portfolio Companies, we do not typically realize on an individual investment until such time as the Portfolio Company is either sold or becomes publicly traded. Since we will often not have the ability to control this process, we will often not control the creation of a liquidity event for our investments. As such, the investments we make will, in many cases, be illiquid and should be viewed by our Investors as long-term investments. In addition, Investors should be aware that investing in young technology, clean-tech and life science companies is a high risk venture and there is no guarantee that we will realize gains on our investments.

In order to facilitate liquidity to meet redemption requests, we may be required to sell investments at a discount to current market values and we may be required to sell investments to related parties or Funds at a discount to current market values. In the event that investments are sold to a related party or Fund at a discount to current market values, the transactions will be governed by Advantage's Conflicts of Interest Policy and therefore will require the approval of Advantage's Investment Committee, which is comprised only of Independent Directors. Please refer to "Organization and Management Details of Advantage – Conflicts of Interest".

## Overview of the Investment Structure



Investors hold the classes of Shares for the Fund that they are invested in. The different classes of Shares segregate the Investors' investments to provide a mechanism to ensure that the Investors' return is tied to the performance of the Fund they are invested in. The main difference between Advantage's classes of Shares is the Pricing Net Asset Value per Share of the Fund they represent. The Pricing Net Asset Value per Share of the Fund they represent is the amount that Advantage will pay to Investors upon redemption of their Shares, or in respect of a distribution of capital on Advantage's liquidation, dissolution or winding up. We will also use the Pricing Net Asset Value per Share to calculate any amounts we may pay on a distribution of capital or upon the payment of a dividend on the Shares. The various classes of Shares of the Funds rank equally in all other respects.

Advantage currently has six Funds, structured in the following manner:

### *Advantage Venture Fund*

The Advantage Venture Fund is currently open to new investors. The Advantage Venture Fund invests in emerging life science, technology and clean-tech companies. This fund typically invests between \$500,000 and \$1,000,000 in the first stage of investment into a Portfolio Company, and will invest considerably more or less where appropriate. The Portfolio Companies in the Advantage Venture Fund include companies in the software, telecommunications, clean-tech and advanced manufacturing spaces, as well as a number of biotech and medical device companies. These Portfolio Companies include both private and public companies, as well as companies from the start-up stage through to revenue companies.

On May 22, 2008, the board of directors of our predecessor company B.C. Advantage Funds (VCC) Ltd. exercised the conversion right contained in the company's Articles with the result that all of the Advantage Technology Shares outstanding in our predecessor company converted, effective June 5, 2008, into Advantage Venture Shares of our predecessor company. Upon completion of the Amalgamation, each shareholder received one of our Advantage Venture Shares for each Advantage Venture Share of our predecessor company held. The Net Assets formerly of the Advantage Technology Fund are now incorporated in the Advantage Venture Fund.

In April 2009, our Board exercised the conversion right contained in our Articles with the result that all of the remaining shares of our Advantage Life Science Fund I were converted to Advantage Venture Shares on April 9, 2009 at an exchange ratio determined on the basis of the relative net assets per share of the Advantage Life Science Fund I and the Advantage Venture Fund on that date.

The following investments in Portfolio Companies were held in the Advantage Venture Fund as at December 31, 2008:

<b>Advantage Venture Fund Investment, Asset or Liability</b>	<b>Investment at Fair Value as at December 31, 2008<sup>(1)</sup></b>
Publicly-traded investments:	
Allon Therapeutics Inc.	\$1,348,072
IP Applications Corp.	\$111,111
MetroBridge Networks Corp.	\$47,874
Neovasc Inc.	\$17,010

OncoGenex Technologies Inc.	\$388,069
Protox Therapeutics Inc.	\$2,788,410
Tekmira Pharmaceuticals Corp.	\$49,748
Urodynamix Technologies Ltd.	\$1,866,550
Vigil Health Solutions Inc.	\$148,344
Voice Mobility International Inc.	\$125,000
<b>Total publicly-traded investments:</b>	<b>\$6,890,188</b>
Privately-held investments:	
Aphrodite Therapeutics Inc.	\$-
Aquinox Pharmaceuticals Inc.	\$2,662,472
Celeres Systems Inc.	\$-
Conasys Consumer Assurance Systems Inc.	\$650,000
Contech Enterprises Inc.	\$6,339,035
Contigo Systems Inc.	\$2,077,173
Galeforce Solutions Inc.	\$629,199
Inimex Pharmaceuticals Inc.	\$1,466,442
Methylation Sciences Inc.	\$395,000
Mobidia Inc.	\$3,758,163
NxtGen Emission Controls Inc.	\$4,190,174
Paradigm Environmental Technologies Inc.	\$290,250
Recombo Inc.	\$634,742
Sensific Technologies Inc.	\$-
Sirius Genomics Inc.	\$2,130,000
Vectis Technologies Inc.	\$-
Zeugma Systems Inc.	\$1,975,400
<b>Total privately-held investments:</b>	<b>\$27,198,050</b>
<b>Total Investments<sup>(1)</sup></b>	<b>\$34,088,238</b>
Adjustment from Bid Prices to Last Sale Prices	\$447,899
Cash and Other Current Assets	\$8,189,498
Unamortized Balance of Deferred Issuance	\$1,999,171
Costs	
<b>Liabilities</b>	<b>(\$516,865)</b>
<b>Pricing Net Asset Value of the Fund<sup>(2)</sup></b>	<b>\$44,207,941</b>

<sup>(1)</sup> For valuation methodology, please refer to "Calculation of Net Assets – Valuation Policies and Procedures".

<sup>(2)</sup> For a determination of Pricing Net Asset Value, please refer to "Calculation of Net Assets – Calculation of Pricing Net Asset Value".

In addition, the Advantage Venture Fund now holds the following investments in Portfolio Companies, which were held in the Advantage Life Science Fund I at December 31, 2008:

<b>Advantage Life Science Fund I Investment, Asset or Liability</b>	<b>Investment at Fair Value as at December 31, 2008<sup>(1)</sup></b>
Publicly-traded investments:	
OncoGenex Pharmaceuticals Inc.	\$11,280
Protox Therapeutics Inc.	\$77,681
Tekmira Pharmaceuticals Corp.	\$48,712
Vigil Health Solutions Inc.	\$16,989
<b>Total publicly-traded investments:</b>	<b>\$154,662</b>
Privately-held investments:	
Protiva Therapeutics Inc.	\$-
<b>Total Investments<sup>(1)</sup></b>	<b>\$154,662</b>
Adjustment from Bid Prices to Last Sale Prices	\$21,931
Cash and Other Current Assets	\$466,749
Unamortized Balance of Deferred Issuance	\$-

Costs	
Liabilities	(\$145,871)
<b>Pricing Net Asset Value of the Fund<sup>(2)</sup></b>	<b>\$497,471</b>

<sup>(1)</sup> For valuation methodology, please refer to "Calculation of Net Assets – Valuation Policies and Procedures".

<sup>(2)</sup> For a determination of Pricing Net Asset Value, please refer to "Calculation of Net Assets – Calculation of Pricing Net Asset Value".

### ***Advantage Growth Fund***

The Advantage Growth Fund is currently open to new investors. The Advantage Growth Fund was formerly the Advantage Life Science Fund II, which itself was formerly contained in Pender NDI Life Sciences Fund (VCC) Inc. prior to the Amalgamation. The Advantage Growth Fund invests in emerging life science, clean-tech and technology companies, including companies that have growing revenues, are approaching profitability or profitable and are likely to provide liquidity within a three to five year time frame.

The following investments in Portfolio Companies were held in the Advantage Growth Fund as at December 31, 2008:

<b>Advantage Growth Fund Investment, Asset or Liability</b>	<b>Investment at Fair Value as at December 31, 2008<sup>(1)</sup></b>
Publicly-traded investments:	
Allon Therapeutics Inc.	\$1,191,372
Neovasc Inc.	\$15,094
Protox Therapeutics Inc.	\$1,650,000
Urodynamix Technologies Inc.	\$1,050,000
<b>Total publicly-traded investments:</b>	<b>\$3,906,466</b>
Privately-held investments:	
Aphrodite Therapeutics Inc.	\$-
Chromos Investment Corp.	\$51,060
Inimex Pharmaceuticals Inc.	\$496,525
Methylation Sciences Inc.	\$105,000
Neuromed Pharmaceuticals Ltd.	\$1,926,399
<b>Total privately-held investments:</b>	<b>\$2,578,984</b>
<b>Total Investments<sup>(1)</sup></b>	<b>\$6,485,450</b>
Adjustment from Bid Prices to Last Sale Prices	\$291,644
Cash and Other Current Assets	\$5,149,154
Unamortized Balance of Deferred Issuance	\$1,216,481
Costs	
Liabilities	(\$166,481)
<b>Pricing Net Asset Value of the Fund<sup>(2)</sup></b>	<b>\$12,976,248</b>

<sup>(1)</sup> For valuation methodology, please refer to "Calculation of Net Assets – Valuation Policies and Procedures".

<sup>(2)</sup> For a determination of Pricing Net Asset Value, please refer to "Calculation of Net Assets – Calculation of Pricing Net Asset Value".

### ***Advantage Structured Fund I***

The Advantage Structured Fund I is currently open to new investors who are clients of certain Selling Agents who represent to us that their clients will subscribe for at least \$10,000,000 in Advantage Structured Fund I Shares over a two year period. As a consequence, the Fund will not be available to all members of the public. The Advantage Structured Fund I invests primarily in emerging technology, clean-tech and life science companies. The Advantage Structured Fund I did not exist as of December 31, 2008 and currently has only a single outstanding Share and no investments.

### ***Advantage Structured Fund II***

The Advantage Structured Fund II is currently open to new investors who are clients of certain Selling Agents who represent to us that their clients will subscribe for at least \$10,000,000 in Advantage Structured Fund II Shares over a two year period. As a consequence, the Fund will not be available to all members of the public. The Advantage Structured Fund II invests primarily in emerging technology, clean-tech and life science companies. The Advantage Structured Fund II did not exist as of December 31, 2008 and currently has only a single outstanding Share and no investments.

### ***Advantage Structured Fund III***

The Advantage Structured Fund III is currently open to new investors who are clients of certain Selling Agents who represent to us that their clients will subscribe for at least \$10,000,000 in Advantage Structured Fund III Shares over a two year period. As a consequence, the Fund will not be available to all members of the public. The Advantage Structured Fund III invests primarily in emerging technology, clean-tech and life science companies. The Advantage Structured Fund III did not exist as of December 31, 2008 and currently has only a single outstanding Share and no investments.

### ***Advantage Structured Fund IV***

The Advantage Structured Fund IV is currently open to new investors who are clients of certain Selling Agents who represent to us that their clients will subscribe for at least \$10,000,000 in Advantage Structured Fund IV Shares over a two year period. As a consequence, the Fund will not be available to all members of the public. The Advantage Structured Fund IV invests primarily in emerging technology, clean-tech and life science companies. The Advantage Structured Fund IV did not exist as of December 31, 2008 and currently has only a single outstanding Share and no investments.

## **OVERVIEW OF THE SECTORS THAT ADVANTAGE INVESTS IN**

### **Overview of the Sectors that Advantage Invests in**

Advantage's business is to raise capital from Investors and to invest that capital primarily in emerging British Columbia based technology, life science and clean-tech companies in accordance with the SBVCA. While Advantage is most interested in early stage companies that are in the technology, life science and clean-tech industries, Advantage will also invest in later stage companies and in other industry sectors. In simple terms, we are an investment fund and our principal objective is to invest the money we raise from Investors with a goal of providing them a superior return on their investment.

As Advantage is a VCC registered under the SBVCA, that legislation limits the types of investments that can be made. The companies Advantage invests in must qualify as Eligible Small Businesses under the SBVCA. Essentially, this means companies based in British Columbia that have less than 100 employees, pay (unless otherwise prescribed by regulation) at least 75% of their wages and salaries to employees who regularly report to work at operations in British Columbia and carry on a business activity as specified in the SBVCA. We are also limited in how we can invest, as to the types of securities we can acquire and the percentage interest that we are permitted to own.

Advantage intends to invest at the early-stage of a company's existence in what is commonly referred to as a "seed" or "angel" round and through multiple rounds of financing as the company matures. Advantage's typical initial investment will be in the \$500,000 to \$1,000,000 level, although we will not restrict our initial investments to this range. This round of investment usually follows some initial investment by the company's founders and their friends and family, and possibly after, or along side, other forms of financing including government grants and loans and other "angel" or early stage investors.

We expect that some of our investments will be made before other venture capitalists or strategic partners invest, and often before a company goes public. However, in the interests of securing the best possible returns for Investors, Advantage may invest in several rounds in each company, along side other venture capitalists and in public companies or in companies located outside of British Columbia where permitted by the SBVCA. Investments in any single later round will typically be in the \$1,000,000 to \$3,000,000 range, and potentially more.

Advantage's goal is to invest in promising technology, life science and clean-tech companies in British Columbia, with a view to realizing superior gains on our investments so as to provide a return to our Investors. Investors should understand that we will realize our investment objectives, if at all, over the long term. Since Advantage will be acquiring equity securities, such as common or preferred shares, of Portfolio Companies, we do not expect to realize on an individual investment until such time as the Portfolio Company is either sold or becomes publicly traded. Since Advantage will often not have the ability to control this process, we will often not have the ability to create a liquidity event for our investments. As such, the investments Advantage makes will, in many cases, be illiquid and should be viewed as long term investments. In addition, Investors should be aware that investing in young technology, clean-tech and life science companies is a high risk venture and there is no guarantee that we will realize gains on our investments, or that Advantage will not lose the entire amount of any investment.

### **Significant Holdings in Other Entities**

The following table includes information regarding each Portfolio Company, 5% or more of whose securities of any class are beneficially owned directly or indirectly by the Advantage Venture Fund or the Advantage Growth Fund. None of the Structured Funds have any significant holdings in other entities.

<b>Significant Holdings of Advantage Venture Fund</b>		
<b>Name and Address of Entity</b>	<b>Nature of Entities' Principal Business</b>	<b>Percentage of Securities of each Class Owned by Fund</b>
Allon Therapeutics Inc. 506-1168 Hamilton Street Vancouver, BC V6B 2S2	Development of drugs for the treatment of neurodegenerative diseases.	5% of common shares
Aquinox Pharmaceuticals Inc. Suite 600 - 555 West 12th Avenue Vancouver, BC V5Z 3X7	Development of drugs for the treatment of cancer and inflammatory diseases.	21% of Series A preferred shares
Celeres Systems Inc. 505 - 1168 Hamilton Street Vancouver, BC V6B 2S2	Development and sale of production and revenue accounting solutions and services to oil and gas companies.	19% of preferred shares
Conasys Consumer Assurance Systems Inc. 103-788 Harbourside Dr. North Vancouver, BC V7P 3R7	Develops and sells web based tools for warranty data tracking and after sales customer service for new homes.	21% of common shares
Contech Enterprises Inc. 7572 Progress Way Delta, British Columbia V4G 1E9	Development, manufacture and sale of products for non-toxic pest management	25% common shares
Contigo Systems Inc. 498-280 Nelson Street Vancouver, BC V6B 2E2 Canada	Develops and sells a web based software platform used for monitoring vehicles, assets and people using hybrid cellular/GPS technology.	25% of Class B preferred shares 40% of Class C preferred shares
Galeforce Solutions Inc. Suite 202, 990 Homer Street Vancouver, BC V6B 2W7	Develops and sells customer relationship management (CRM) software for the financial services industry.	21% of Class B preferred shares 34% of Class C preferred shares
Inimex Pharmaceuticals Inc. 3650 Westbrook Mall, Vancouver, BC V6S 2L2	Development of drops for the treatment of infectious disease, cancer and inflammatory diseases.	6% of Class A preferred shares
Methylation Sciences Inc. 250, 25th Street West Vancouver BC V7V 4J1	Development of a widely used nutraceutical as a new drug for the treatment of depression.	9% of common shares

<b>Significant Holdings of Advantage Venture Fund</b>		
<b>Name and Address of Entity</b>	<b>Nature of Entities' Principal Business</b>	<b>Percentage of Securities of each Class Owned by Fund</b>
Metrobridge Networks International Inc. 918 - 1030 W. Georgia Street Vancouver, BC V6E 2Y3	Sale of high speed internet access.	6% of common shares
Mobidia Technology Inc. Suite 230, 10451 Shellbridge Way, Richmond, BC V6X 2W8	Development and sale of wireless carrier network management applications.	25% of Series A preferred shares
NxtGen Emission Controls Inc. Unit C, 4242 Philips Avenue Burnaby, British Columbia V5A 2X2	Development of exhaust treatment systems to reduce engine emissions.	19% of Series A preferred shares
Protox Therapeutics Inc. 1210-885 West Georgia Street Vancouver, BC Canada V6C 3E8	Development of drugs for the treatment of cancer and prostate diseases.	10% of common shares
Recombo Inc. 100 - 211 Columbia St. Vancouver, BC V6A 2R5	Development and sale of digital signature applications.	6% of common shares
Sirius Genomics Inc. 1125 Howe Street, Suite 603 Vancouver, BC V6Z 2K8	Development of pharmacogenetic tests for inflammatory diseases.	20% of common shares
Urodynamix Technologies Ltd. Suite 1351 - 409 Granville Street Vancouver, British Columbia V6C 1T2	Development and sale of medical diagnostic tests utilizing near-infrared spectroscopy.	20% of common shares
Vectis Technologies Inc. Suite 111 - 998 Harbourside Drive North Vancouver, BC V7P 3T2	Development of plate processor hardware for offset printing.	9% of common shares
Vigil Health Solutions Inc. 2102 - 4464 Markham Street Victoria, British Columbia Canada V8Z 7X8	Development and sale of nurse call and dementia monitoring systems.	7% of common shares

<b>Significant Holdings of Advantage Growth Fund</b>		
<b>Name and Address of Entity</b>	<b>Nature of Entities' Principal Business</b>	<b>Percentage of Securities of each Class Owned by Fund</b>
Allon Therapeutics Inc. 506-1168 Hamilton Street Vancouver, BC V6B 2S2	Development of drugs for the treatment of neurodegenerative diseases.	5% of common shares
Chromos Molecular Systems Inc. 220 - 980 W 1st Street Mail Box # 8, North Vancouver, BC V7P 3N4	Development of drugs for the treatment of inflammatory diseases and thrombotic disorders.	17% of common shares
Protox Therapeutics Inc. 1210-885 West Georgia Street Vancouver, BC Canada V6C 3E8	Development of drugs for the treatment of cancer and prostate diseases.	6% of common shares

## **INVESTMENT RESTRICTIONS**

### **Investment Restrictions**

As a VCC regulated under the SBVCA, we cannot make or hold any investments not permitted by the SBVCA. With some minor exceptions, we are restricted to acquiring eligible securities or ESBs, in addition to Permitted Investments. In addition, we are also limited in how we can invest, as to the types of securities we can acquire and the percentage interest that we are permitted to own. Essentially, we are limited to buying equity securities and we are not permitted to control our Portfolio Companies.

### ***Statutory Restrictions***

We are subject, under the SBVCA, to the investment restrictions and requirements set forth below.

### **Eligibility Restrictions**

Except for those Permitted Investments specified below, we may only make investments in eligible securities of ESBs.

In addition, we may make Permitted Investments in:

- (a) securities of Eligible Small Businesses, the equity shares of which would qualify as eligible securities;
- (b) liquid reserves on deposit in British Columbia at a savings institution;
- (c) securities, as defined by the Securities Act, of a small business, the equity shares of which would qualify as an Eligible Investment;
- (d) the Investment Protection Account; and/or
- (e) any other investment prescribed pursuant to the SBVCA.

### **Industry Restrictions**

Unless such investment is or was made with funds that were raised other than through the issue of approved equity capital, we may not make or hold an investment in an ESB if all or part of the proceeds of that investment are directly or indirectly used or intended to be used by the ESB for any of the following purposes:

- (a) lending;
- (b) investment outside British Columbia;
- (c) investment in land, unless the use thereof is incidental or ancillary to the qualifying activities in which the ESB is substantially engaged;
- (d) acquiring securities other than equity shares from our Affiliate of an Eligible Small Business (convertible debt of an ESB is an Eligible Investment so long as the terms of the debt are in accordance with the SBVCA and its regulations);
- (e) purchasing goods or services from us, one of our Directors, Officers or shareholders or from an Associate of one of our Directors, Officers or shareholders, other than:
  - (i) business or managerial advisory services provided to the ESB at fair market value, or
  - (ii) goods or services that are sold to the ESB at fair market value in the ordinary course of the seller's business as a seller of such goods or services on the open market;
- (f) payment of all or part of a debt obligation, unless:
  - (i) the payment is considered necessary for the financial viability of the ESB by the SBVCA Administrator, or
  - (ii) the debt obligation was incurred with the prior approval of the SBVCA Administrator in anticipation of an investment in the ESB by us;
- (g) as part of a transaction or series of transactions directly or indirectly involving any of the following:

- (i) the purchase or redemption of previously issued shares of the ESB or any of its Affiliates;
  - (ii) the retirement of any part of a liability to a shareholder of the ESB or any of its Affiliates or to a shareholder of the ESB, Associate or Affiliate;
  - (iii) the payment of dividends;
  - (iv) except in prescribed circumstances, the funding of all or part of the purchase by the ESB of all or a substantial portion of the assets of a proprietorship, partnership, joint venture, trust or corporation;
  - (v) the funding of all or part of the purchase by the ESB of any of the assets of a proprietorship, partnership, joint venture, trust or corporation at a price that is greater than the Fair Value of the assets purchased; or
  - (vi) other prescribed events; and
- (h) other prescribed purposes.

### **Related Party Restrictions**

The SBVCA also provides that we may not make or hold an investment in an ESB if a majority shareholder of Advantage is, or was at any time during the two years immediately preceding the investment:

- (a) a 10% shareholder or member of a control group of the ESB;
- (b) an Associate of a 10% shareholder or member of a control group of the ESB;
- (c) a voting trust where the trustee votes shares of the ESB; or
- (d) the ESB or an Associate or Affiliate of the ESB.

In addition, we may not make or hold an investment in an ESB if the ESB or an Associate, Affiliate, director, officer or shareholder of the ESB provides or has provided, directly or indirectly, as part of any transaction or series of transactions, a loan, guarantee or any other financial assistance to us or a person who is, or was at any time during the two years immediately preceding the investment:

- (a) an Associate or Affiliate to us;
- (b) one of our Directors, Officers or shareholders;
- (c) a member of a group of persons that controls us; or
- (d) another person, for the purpose of that person making an investment in us.

### **Control Restrictions**

Under the SBVCA, we may not control an ESB in which we invest and we may not make an investment in an ESB where 50% of the shares carrying votes for the election of directors of the ESB are owned, directly or indirectly, or the ESB is controlled, directly or indirectly, by us or by us and any other VCC or VCCs or employee VCC ("EVCC") or corporations registered under the *Employee Investment Act* (British Columbia), either alone or in conjunction with one or more of its or their Associates or Affiliates, their shareholders or their Associates or Affiliates, their directors or their Associates, or their officers or their Associates. There is an exception to this where the SBVCA Administrator considers the ESB to be in financial difficulty and permits us to control it temporarily under such circumstances and on such terms and conditions as the SBVCA Administrator may determine.

### **Capital Restrictions**

The SBVCA also provides that we may not make an investment in an Eligible Small Business, if, as a result of the investment, the aggregate of all amounts received by the Eligible Small Business and any Affiliates of the Eligible Small Business from us and from any other VCC or VCCs, directly or indirectly, would be greater than ten million dollars in the trailing twenty-four month period.

### *Dispositions of Prohibited Investments*

If an investment becomes prohibited by virtue of the Eligible Small Business failing to comply with the restrictions imposed by the SBVCA with respect to investment restrictions, related party restrictions, control restrictions or capital restrictions, we must, within six months after the investment became prohibited, dispose of that investment. An exception to this applies if, within the six month period, the circumstances that caused the investment to be prohibited are changed to the extent that it is no longer prohibited. Please refer to "Industry Restrictions", "Related Party Restrictions", "Control Restrictions" and "Capital Restrictions" above.

If an investment becomes prohibited by virtue of the Eligible Small Business ceasing to pay at least 75% or 50%, as the case may be, pursuant to the rules of the SBVCA, of its wages and salaries, calculated in a prescribed manner, to employees who regularly report to work at operations in British Columbia (the "**Salaries Requirement**"), or ceases to be substantially engaged (as determined in a manner prescribed by regulation) in British Columbia in one or more of the business activities specified in the SBVCA or prescribed by the regulations thereunder (the "**Business in B.C. Requirement**"), we must dispose of our investment within six months after the Eligible Small Business ceases to conform to the Salaries Requirement or the Business in B.C. Requirement, unless, within the applicable period, the circumstances which caused the investment or the securities to be prohibited change, so that it or they are no longer prohibited. We may request the SBVCA Administrator to relieve us from this requirement to dispose of the investment and the SBVCA Administrator may do so, or may extend the period within which the disposition must be made for an additional period not exceeding six months. To do so, the SBVCA Administrator must be satisfied that:

- (a) the prescribed requirements, if any, are met;
- (b) the breach of the Salaries Requirement or the Business in B.C. Requirement by the Eligible Small Business was not imminent at the time the investment was made; and
- (c) the Eligible Small Business did not use any of the investment proceeds that it received for any purposes prohibited by the SBVCA.

### *Voluntary Restrictions*

In addition to the investment restrictions described above, our Board may, from time to time, establish certain other investment restrictions. At this time, no such restrictions have been adopted.

### *Changes to Investment Objectives or Strategies*

The fundamental investment objectives, restrictions, policies or strategies of our Funds that are determined by the SBVCA can only be changed if the SBVCA is amended by government. The fundamental investment objectives, restrictions, policies or strategies of our Funds that are determined by our Board and the board of directors of Lions Capital can be changed by our Board and the board of directors of Lions Capital.

### *Mutual Fund Investment Restrictions Do Not Apply*

Because our Funds are not "mutual funds", as defined under applicable securities legislation, they are not subject to the investment restrictions and practices governing mutual funds, including those in National Instrument 81-102.

### Cash Management

Pending investment in Eligible Investments and/or Permitted Investments in securities of ESBs, we will invest our cash assets (including funds received on liquidation of investments) in liquid reserves and/or other liquid securities permitted by the SBVCA, and we will earn a rate of return generated by such investments. Please refer to "Investment Restrictions – Statutory Restrictions - Eligibility Restrictions".

### Investment Protection Account

Under the SBVCA, a VCC must establish a special account, called the IPA, into which it must deposit 30% of all capital it raises. The purpose of the IPA is to serve as a source of capital should the VCC need to make a remittance back to the Province of British Columbia. In order to have the funds in the IPA released, the VCC needs the consent of the SBVCA Administrator. The SBVCA Administrator will only authorize a release of funds out of the IPA if

and when the VCC has made or proposes to immediately make an Eligible Investment into an Eligible Small Business.

We have established an IPA with the Canadian Imperial Bank of Commerce. Thirty percent of the funds we raise from this Offering will be placed in our IPA and released at a rate of 37.5% only when we have made Eligible Investments. We will seek the approval of the SBVCA Administrator for all such releases. If and when we have invested 80% of the funds we have raised into Eligible Investments, the IPA will have a nil balance.

The income earned in the IPA does not have to be invested in Eligible Investments and may be used by us for other purposes. If our registration as a VCC was revoked for any reason, the SBVCA Administrator may require us to pay to the Government of British Columbia all or part of the income earned on the funds held in the IPA and which are still in the IPA.

The portions of our Investment Policy that are governed by the SBVCA and, in particular, the investment restrictions imposed thereby, may only be altered in the event the SBVCA or its regulations are amended by the Government of British Columbia. In the event that the SBVCA or its regulations are amended, our Investment Policy will be deemed to be similarly amended to reflect such changes. Those portions of our Investment Policy that are not governed by the SBVCA or its regulations may be changed by our Board at any time and from time to time.

## **FEES AND EXPENSES**

### **Management Fees**

#### ***Annual Management Fee***

Pursuant to the Management Agreement, we will pay to Lions Capital an annual management fee equal to 2.75% of the Pricing Net Asset Value of Advantage. This is currently subject to a maximum of 3% per annum of the aggregate equity capital raised by us, and further subject to the limitation set out in section 8 of the SBVCA that requires 80% of the equity capital that we raise to be invested in ESBs. This fee will be calculated and paid monthly by multiplying the difference between the aggregate value of the assets of Advantage on the last day of each month and the aggregate value of the liabilities of Advantage on the last day of each month, where the assets and liabilities of Advantage on that date are calculated in accordance with our Valuation Methodology then in effect, by 2.75% and dividing by twelve. Subject to the limitations set out in the SBVCA, the fee will be paid on receipt of the invoice. Management fees may remain unpaid if we are not in compliance with the minimum investment requirements of the SBVCA, which provides that management fees may not exceed 3% per annum of the amount of equity capital raised. This limitation does not apply to fees paid from our net income or retained earnings. Management fees that are earned and cannot be paid because of the requirements of the SBVCA may be accrued with interest at 18% per annum, compounded annually, and paid out of our retained earnings or net income when available.

For the year ended December 31, 2008, we paid fees to Lions Capital in the amount of \$1,625,183. At December 31, 2008 management fees in the amount of \$281,328 were accruing and payable to Lions Capital.

These fees are intended to cover the expenses incurred by Lions Capital in managing Advantage, save and except as noted below under "Fees and Expenses – Operating Expenses".

Cash or equity received by Lions Capital, Mentors, the Fund Managers, or directors, officers, or employees of Lions Capital, the Fund Managers or Advantage, if applicable, from any Portfolio Company or prospective Portfolio Company or any Associate or Affiliate of any Portfolio Company or prospective Portfolio Company for services including investment banking, advisory fees, syndication fees, finders' fees, commitment fees, due diligence fees, directors' fees and such amounts as they may realize in respect of any equity or stock options that are held by them in Portfolio Companies or Associates or Affiliates of Portfolio Companies, will be retained by Lions Capital, the Fund Managers or such individuals, as applicable, as compensation for the services provided.

### **Commissions and Service Fees**

At a Selling Agent's option, Advantage will either: (a) pay an up front cash commission to a Selling Agent equal to up to 7.5% of the gross proceeds of the Shares sold by the Selling Agent; or (b) pay an up front cash commission to a Selling Agent equal to 5% of the gross proceeds of the Shares sold by the Selling Agent and a servicing (or trailer)

fee of 0.5% per annum of the aggregate Pricing Net Asset Value of the Shares held by clients of the Selling Agent, calculated monthly and paid quarterly.

In the event that Advantage does not pay a cash commission to a Selling Agent through whom an Investor purchased Shares, that Investor may pay per Share an amount equal to 95% of the Pricing Net Asset Value per Share.

In some situations Advantage may pay additional fees to Selling Agents and investment bankers, such fees to include, without limitation, corporate finance fees, bonuses and syndication fees. These fees may vary in form and structure, be applied on an individual basis, and be commenced or terminated at any time.

### **Operating Expenses**

We will pay all of our own operating expenses, including, without limitation:

- (a) all expenses related to portfolio transactions, security realization, qualifying our securities for distribution, marketing our securities, asset valuations, financial and other reporting to shareholders and other administrative services;
- (b) all taxes, legal and audit fees, custodial fees (if any), registrar and transfer agency fees, consultants' and professional advisors' fees, sales commissions and corporate finance fees to dealers, servicing commissions and certain overhead expenses;
- (c) the fees and expense amounts payable to or for Lions Capital under the Management Agreement; and
- (d) where any such registrar, transfer agency and/or shareholder reporting services and/or other administrative services are provided by a Service Provider engaged by us, the fees and expenses of such Service Provider.

Separate from the management fee we will pay to Lions Capital, we will also reimburse Lions Capital for all expenses of any kind whatsoever incurred by Lions Capital on our behalf in providing the Management Services, or in otherwise meeting its obligations under the Management Agreement. The expenses will be such expenses as may be agreed to from time to time by ourselves and Lions Capital. Such expenses may include the expenses of a Service Provider, who or which may be independent third-parties or may be one or more of Advantage or Lions Capital, or an Associate or Affiliate of one or more of Advantage or Lions Capital. The Service Providers will be engaged by Lions Capital to provide us with such services to assist in providing and to supplement the provision of the Management Services. For example, we engaged IAS as our Registrar and Transfer Agent and to provide certain additional administrative services.

In addition, the Management Agreement provides that Lions Capital will, at our request, provide to us Additional Services, for which Lions Capital may charge us additional fees.

For the financial year ended December 31, 2008, the Company reimbursed the Management Company the sum of \$1,033,976 for expenses incurred on behalf of the Company. At December 31, 2008 expenses in the amount of \$295,751 were accruing and payable to the Management Company.

For the year ended December 31, 2008, we reimbursed Lions Capital the sum of \$1,033,976 for expenses incurred on behalf of Advantage.

Our investments will require a greater commitment to investment analysis, due diligence investigations and post-investment monitoring than investments in mutual funds. In addition, the cost to determine the value of our investments in Portfolio Companies for which no published market exists will be greater than valuation costs for mutual funds which invest primarily in listed securities. Consequently, we expect that our operating expenses will be higher than many mutual funds and some other pooled investment vehicles.

### ***Directors Fees and Expenses***

Our non-management Directors are paid an annual retainer of \$6,000 for their ongoing contribution to us. In addition, our non-management Directors are paid \$1,000 for each Board meeting and \$500 for each committee meeting that they attend. Our Directors will be entitled to be reimbursed for reasonable expenses incurred on our behalf.

We may be required to defer payment of expenses to our Directors if we are unable to comply with the minimum investment requirements provided by the SBVCA.

### ***GST***

We will also be obliged to pay GST on all fees payable by us, where applicable.

### **Investor Fees**

The following are the fees and expenses payable by our Investors.

#### ***Sales Charge***

Our Investors will not pay a sales or administration charge to acquire Offered Shares.

#### ***RRSP and RRIF Fee***

We do not currently charge a fee to our Investors for investing through their RRSPs or RRIFs. Investors may be obliged to pay fees directly to their own agents who manage these accounts for them.

We do, however, reserve the right to establish a fee should we be required to facilitate the establishment of an RRSP or RRIF or should we find that we need to incur additional administration than we are currently experiencing for Investors who have invested through their RRSP or RRIF. In such case, we will provide 30 days advance notice before implementing such fee.

#### ***Transfer Fees***

In certain cases, we will charge Investors a transfer fee of \$50.

#### ***Redemption Fees***

Investors will not pay a fee upon the redemption of Shares. We do, however, reserve the right to establish a nominal fee for redemptions, should we find that we are incurring administrative expenses in excess of what we are currently incurring for Investors desiring redemptions. Please refer to "Redemption of Securities – Redemption Rights".

#### ***NSF Fee***

All NSF cheques will be subject to an NSF fee of \$25.

#### ***Printing and Delivery Fees and Investor Communications***

Your e-mail address is important because that is how we would prefer to send you notices of annual general meetings, financial reports and other shareholder information. This will keep our costs low and allow us to provide you a correspondingly higher return on your investment. If this is not how you would prefer to receive this information, please let us know. We can also send you this information by fax at no additional cost, or if you would prefer, we can send you printed materials.

We will not charge our Investors for any information that we are required to provide shareholders in accordance with the corporate or securities laws of British Columbia. If we decide to provide additional materials, beyond what is required by applicable British Columbia corporate and securities laws, we may require that those of our Investors who require printed information pay a reasonable fee for such additional materials, equal to our printing and delivery costs, subject to compliance with all applicable legislation.

## **ANNUAL RETURNS AND MANAGEMENT EXPENSE RATIO**

The following tables provide the returns and the management expense ratios of the Funds for each of the past five years as at December 31<sup>st</sup> of each year shown:

**Advantage Venture Fund**Advantage Venture Fund

	2008	2007	2006	2005	2004
<b>Annual Returns</b>	-23.24%	10.94%	-6.03%	-1.28%	-4.46%
<b>MER</b>	5.80%	8.20%	8.36%	9.06%	14.49%

Advantage Technology Fund (1)

	2008	2007	2006	2005	2004
<b>Annual Returns</b>	N/A	6.36%	1.69%	13.30%	-1.00%
<b>MER</b>	N/A	8.93%	11.82%	4.51%	11.17%

Advantage Life Science Fund I (2)

	2008	2007	2006	2005	2004
<b>Annual Returns</b>	11.27%	5.55%	7.35%	32.70%	N/A
<b>MER</b>	3.49%	7.27%	6.34%	23.42%	N/A

**Advantage Growth Fund (3)**

	2008	2007	2006	2005	2004
<b>Annual Returns</b>	-28.50%	N/A	N/A	N/A	N/A
<b>MER</b>	5.82%	N/A	N/A	N/A	N/A

(1) On May 22, 2008, the board of directors of our predecessor company B.C. Advantage Funds (VCC) Ltd. exercised the conversion right contained in the company's Articles with the result that all of the Advantage Technology Shares outstanding in our predecessor company converted, effective June 5, 2008, into Advantage Venture Shares of our predecessor company. Upon completion of the Amalgamation, each shareholder received one of our Advantage Venture Shares for each Advantage Venture Share of our predecessor company held. The Net Assets formerly of the Advantage Technology Fund are now incorporated in the Net Assets of the Advantage Venture Fund. Please refer to "Overview of the Legal Structure of Advantage – History of the Amalgamated Companies".

(2) In April 2009, our Board exercised the conversion right contained in our Articles with the result that all of the remaining shares of our Advantage Life Science Fund I were converted to Advantage Venture Shares on April 9, 2009 at an exchange ratio determined on the basis of the relative net assets per share of the Advantage Life Science Fund I and the Advantage Venture Fund on that date.

(3) In November 2008, our Board passed a resolution to rename the Advantage Life Science Fund II the "Advantage Growth Fund" and to broaden the investment mandate of the Fund to include technology, clean technology and industrial companies as well as life science companies and to invest in companies that have growing revenues, are profitable or approaching profitability and are likely to provide liquidity within a three to five year time frame.

"MER" means management expense ratio. The returns shown above are simple annual year by year returns.

**RISK FACTORS**

This Offering is highly speculative. The purchase of our Offered Shares is suitable for you only if you are in a high marginal income tax bracket, are aware of the inherent risks in the venture capital industry and, in particular, in investing funds in emerging life science, clean-tech and technology companies, have the ability and willingness to accept the risk of total loss of your invested capital and have no immediate need for liquidity. There is no assurance of any return of, or on, your investment in our Offered Shares. An investment in our Offered Shares should not constitute a major portion of your portfolio.

**Our success depends on our Portfolio Companies.**

Our ability to pay dividends, or to redeem Offered Shares, is entirely dependent on the success of our investment in Portfolio Companies, which is by no means assured.

Our Portfolio Companies are in the early stage and generally will have a limited history of operations, nominal assets and nominal revenues, if any. There is no assurance that any Portfolio Company will be able to successfully complete its development plan or sustain operations over the short term or an extended period.

**We intend to derive capital gains from investments in emerging technology, clean-tech and life science ESBs. The prospects for success of emerging technology, clean-tech and life science companies depends on a number of factors which, given their limited operating histories, are difficult to evaluate. Investments in emerging technology, clean-tech and life science ESBs are inherently risky. The emerging technology, clean-tech and life science ESBs in which we invest will generally require additional capital, which we may not be able to provide or which may not be available from other sources.**

Our Portfolio Companies will usually be in the technology, clean-tech and life science sectors. The inability of these companies to commercialize their technology or create or develop a commercially viable product could have a negative impact on our investment returns. Our life science Portfolio Companies will almost always require significant follow-on investments. Additionally, although some of our technology Portfolio Companies may already have a commercially successful product or product line when we invest, technology products and services often have a more limited market or life span than products in other industries. Thus, the ultimate success of these companies may depend on their ability to continually innovate in increasingly competitive markets. Technology, clean-tech and life science companies traditionally experience higher than average employee turnover, and the success of these companies will partly depend on their ability to attract and retain qualified personnel. Finally, the success of a technology company, clean-tech or a life science company also partly depends on its ability to protect its intellectual property rights.

Our Portfolio Companies may require significant amounts of capital and financing to fund their planned development and operations. Additional financing in excess of that available from us will often be required to complete the financing requirements of the companies. In addition, certain unanticipated events such as cost overruns, unanticipated liabilities, delayed regulatory approval, or other factors may occur which require the companies to obtain additional financing over and above the amounts anticipated at the time of an investment by us. Amongst other effects, this may result in a significant dilution or erosion of our investment.

In the event the Portfolio Companies in which we invest are unable to raise sufficient funds by way of other financings, the Portfolio Companies may have insufficient funds available to implement their business plans and hence you may receive no return from us. There is significant risk that such additional financing may not be available or may not be available at economic rates and hence we may lose our entire investment.

The Portfolio Companies in which we invest may not, if not able to obtain additional funds, have sufficient funds to meet their costs of development. In such situations, Portfolio Companies may be insolvent, as they may not be able to meet their financial obligations as they fall due, and hence you may lose all of your invested capital. There is no assurance that additional required funding will be obtained by us or the Portfolio Companies.

Venture capital markets in general, and technology industry markets in particular, may be sensitive to any general downturn or correction in the world equity markets and the overall economy of North America. Substantial adverse stock market, economic or political conditions may have a negative impact on our ability to raise funds, by this or future offerings, and to profitably invest the funds into one or more companies. Similarly, one or more of the same adverse conditions, including the possibility of the technology, clean-tech or life science sectors falling out of favour with the capital market, may have a negative impact on the profitability, viability or liquidity of the business and market of the companies in which we invest.

**There currently is no market for the Offered Shares and it is not expected that any market will develop. Our ability to meet a redemption request is subject to certain conditions which, if not met, may result in a redemption request being suspended, delayed or declined. Please refer to "Redemption of Securities – Redemption Rights – Suspension of Redemptions." Redemption of Offered Shares is prohibited for a period of at least five years from the date of investment. Please refer to "Redemption of Securities".**

There currently is no market for the Offered Shares and it is not anticipated that any market will develop. Shareholders will generally not be able to dispose of their Shares, except by requesting redemption thereof. Investors are not entitled to request redemption of their Shares until:

- (a) on or after the date that is five years from the date that 80% of the proceeds from the sale of Shares in a given calendar year are invested in ESBs;
- (b) during the one month period prior to the date referred to in (a) above, where the holder thereof is concurrently subscribing for Offered Shares on terms and conditions acceptable to us; and
- (c) otherwise with the approval of our Board of Directors and, if necessary, the approval of the SBVCA Administrator.

**Although a holder of our Offered Shares may be entitled to request a redemption of Offered Shares, our financial position may prohibit us from completing a request for redemption or may allow us to decline a request for redemption.**

Our Articles prohibit us from redeeming any of our Offered Shares in several situations, regardless of whether those redemptions would otherwise be permitted in accordance with the provisions of the SBVCA. There are several situations where our financial position would prohibit us from redeeming our Offered Shares. As a result of these prohibitions, Investors should be aware that the redemption period, for practical purposes, may be substantially longer than five years. Please refer to "Redemption of Securities".

**Our success depends on how much money we raise pursuant to the Offering.**

The smaller the amount of funds we raise pursuant to this Offering, the more impaired and limited is our ability to negotiate and enter into investment agreements with Portfolio Companies and to diversify our investments and this may have a material negative impact on your return. There exists the risk that our intended investment guidelines and business strategy may not be fully met, depending on our success in raising funds pursuant to this Offering and depending on our ability to find suitable technology, clean-tech and life science companies that meet all of our investment guidelines. The greater the funds raised pursuant to this Offering, the greater and better quality investment opportunities should be available to us.

There is a risk that some or all of the investment guidelines may not be satisfied in any investment in which we enter into. We will seek investment opportunities that, at the time the investment is made, seem to offer us the best risk/reward opportunity. We may or may not achieve this. The effect of investing in Portfolio Companies not in compliance with the investment guidelines cannot be accurately predicted but may have a material negative impact on your return.

There is no minimum amount which we must raise pursuant to this Offering.

**The British Columbia government has the discretion to reduce the amount of capital we may raise on a tax incentive basis. The government program under which Tax Credits are provided may not continue in its current form, or at all. Our registration under the SBVCA may be suspended or revoked in certain circumstances, in which case sales of the Shares would not qualify for Tax Credits. In each such event, our ability to raise additional capital would be impaired, potentially adversely affecting our long-term viability.**

We have received an equity allocation from the SBVCA Administrator authorizing us to raise up to \$10,000,000 of equity capital during the period ending February 15, 2010, up to a further \$10,000,000 of equity capital during the period February 16, 2010 to February 15, 2011, and up to a further \$10,000,000 of equity capital during the period February 16, 2011 to February 15, 2012, for a total of \$30,000,000. In addition, if we sell out our \$10,000,000 equity allocation in any of those years, we can access an additional \$16,000,000 pool of Tax Credit allocation on a first come, first served basis with other retail VCC funds. Therefore, the maximum we may raise in Offered Shares

in respect of which Investors may receive Tax Credits for the 2009 taxation year is \$26,000,000, assuming we access the entire excess pool of Tax Credit allocation available to all retail VCC funds. These allocations are automatically extended by the SBVCA Administrator by one year when the current year expires so that we will have three years of allocations. We may also apply to the SBVCA Administrator for allocations of additional equity capital once the allotment(s) for the year have been raised under the above mentioned timeframes. Please refer to "Overview of the Legal Structure of Advantage - Small Business Venture Capital Act Considerations".

As of June 4, 2009, we have sold a total of 33,421 Offered Shares for a total of \$208,176 in respect of which Investors are entitled to receive Tax Credits for the 2009 taxation year. Accordingly, we may raise up to an additional \$25,791,824 in Offered Shares in respect of which Investors may receive Tax Credits for the 2009 taxation year. More specifically, we may raise at least \$10,000,000 in Offered Shares in respect of which Investors may receive Tax Credits for the 2009 taxation year. In addition, if we sell out our \$10,000,000 equity allocation, we can access an additional \$16,000,000 pool of Tax Credit allocation on a first come, first served basis with other retail VCC funds. Therefore, the maximum we may raise in Offered Shares in respect of which Investors may receive Tax Credits for the 2009 taxation year is \$26,000,000, assuming we access the entire excess pool of Tax Credit allocation available to all retail VCC funds.

We will not begin selling our Offered Shares in respect of which Investors are entitled to receive Tax Credits for the 2010 taxation year until January 1, 2010. In the event we sell our entire equity capital allocation(s) for the 2009 taxation year prior to January 1, 2010, we will suspend sales until January 1, 2010, at which point we will begin selling Offered Shares, as applicable, that are eligible to receive Tax Credits for the 2010 taxation year. If we receive from the SBVCA Administrator an additional equity allocation(s) for the 2009 taxation year, this Prospectus will qualify the sale of those additional Offered Shares and we will continue selling Offered Shares that are eligible to receive Tax Credits for the 2009 taxation year up until the earlier of March 1, 2010 and such date as we have sold such additional allocation(s). There is no guarantee that we will sell all of our equity allocation(s) for the 2009 taxation year prior to the end of the 2009 tax season or, if we were able to do so, that the SBVCA Administrator will grant us any additional allocation(s) for the 2009 taxation year.

The SBVCA requires that we have at least 40% of our equity capital invested in ESBs by the end of our first fiscal year following the fiscal year of the investment, and at least 80% of our equity capital invested in ESBs by the end of our second fiscal year following the fiscal year of the investment. That is, we must have invested at least 40% of the gross proceeds raised in 2009 by December 31, 2010, and at least 80% of the gross proceeds raised in 2009 by December 31, 2011. As at the date of this Prospectus, we have invested in several Portfolio Companies and have identified several more Portfolio Companies that we may invest in. There is the risk that we may not find any further suitable companies in which to invest, or be able to enter into favourable investment agreements with a sufficient number of technology, clean-tech or life science companies.

We may incur penalties or other sanctions as a result of non-compliance with the SBVCA. In addition, you must rely on the ability, judgement and good faith of our management, Directors and members of our Investment Committee and Audit and Valuation Committee. There is no assurance as to the profitability or viability of any Portfolio Company in which we invest and there is an expectation that the Portfolio Companies will incur operating losses.

**Changes to existing laws and regulations may alter the ability of a Portfolio Company to conduct its business.**

There is no assurance that the laws, regulations, policies or current administrative practices of any government body, or regulatory agency in British Columbia, or any other jurisdiction or country in which a technology, clean-tech or life science company's products or services may be produced or marketed, will not be changed, applied or interpreted in a manner which will fundamentally alter the ability of that company to research or develop its products or to have its products approved by the applicable regulatory authorities.

**We face competition from other capital providers and there can be no assurance that suitable investments in Eligible Small Businesses will be found.**

We face competition from other capital providers, including VCCs, EVCCs, LSVCCs, venture capital firms, strategic investors and the public markets, all of which compete for investment opportunities. These competitors may limit our opportunities to acquire interests in Eligible Small Businesses of a quality and business focus that are attractive to us. We may be required to invest in Eligible Small Businesses otherwise than in accordance with our Investment Policy in order to meet our investment pacing requirements. If we are required to invest other than in accordance with our investment strategy, our ability to achieve our desired rates of return may be adversely affected.

**Investments made by us will generally lack liquidity and involve a longer than usual investment commitment. Losses are typically realized before gains, and we may be required to dispose of investments before any returns are received therefrom.**

Investors should understand that our investment objectives will be realized, if at all, over the long term. Since we will be acquiring equity securities, such as common shares, of Portfolio Companies, we do not expect to realize on an individual investment until such time as the Portfolio Company is either sold or becomes publicly traded. Since we will often not have the ability to control this process, we will not have the ability to create a liquidity event for our investments. As such, the investments we make will, in many cases, be illiquid and should be viewed by our Investors as long-term investments. In addition, Investors should be aware that investing in technology, clean-tech and life science companies is a high risk venture and there is no guarantee that we will not lose our entire investment or realize gains on our investments.

**In the event that our expenses exceed our income, the resulting losses will be paid with capital raised through the issuance of Offered Shares.**

To the extent that our annual management fees, sales commissions and servicing commissions and operating expenses are not paid out of our investment income, the proceeds of this Offering will be used to pay such expenses. In accordance with the regulations under the SBVCA, we may only pay expenses out of retained earnings, unless the SBVCA Administrator otherwise approves.

**We are not a mutual fund, the rules designed to protect Investors who purchase securities of mutual funds do not apply to us, and we are not subject to the mutual fund investment restrictions.**

We are not a mutual fund and the rules designed to protect investors who purchase securities of mutual funds will not apply to us. In particular, rules directed at ensuring liquidity and diversification of investments and certain other investment restrictions and practices normally applicable to mutual funds do not apply. We may take positions in small businesses which represent a larger percentage of their equity than a mutual fund would be permitted to take, and this may increase the risk per investment.

Unlike a mutual fund, we are permitted to invest more than 10% of our net assets in illiquid securities, may invest in more than 10% of the securities of any one Eligible Small Business, may provide guarantees for Eligible Small Businesses and may purchase options and debt securities, among other things.

**The Pricing Net Asset Value of our Funds will be based principally on the value of its investments and, therefore, the value of the Shares of each Fund will increase or decrease with the value of such assets. Our valuation process for the Shares of each Fund is based on inherent uncertainties and the resulting values may differ from values that would have been used had a liquid market existed for the investments.**

The Pricing Net Asset Value of each Fund will be based primarily on the value of its investments and, therefore, the value of the Shares will increase or decrease with the value of such investments. The value of the assets of each Fund may fluctuate with specific industry conditions, including success or failure of other companies in the industry, the investment attitude with respect to the industry and changes to its regulatory environment, and general economic conditions, including the level of interest rates, corporate earnings, economic activity, the value of the Canadian dollar and other factors. Given the requirement that we invest in Eligible Small Businesses, the risks associated with fluctuations in the value of our assets may be amplified, as our Portfolio Companies may be affected more than larger businesses by external events.

The Pricing Net Asset Value per Share of each Fund will be based, likely in significant part, on estimates of the Fair Value of each Fund's investments in Eligible Small Businesses for which there is no published market. The process by which estimates thereof are made is inevitably based on inherent uncertainties, and the resulting values may differ from values that would have been used had a ready market existed for such investments. To the extent that estimates made of the Fair Value of each Fund's investments prove, on eventual realization, to have been higher than the actual value of the applicable Fund's investments, new shareholder investment will provide a benefit to existing Investors; similarly, to the extent that estimates made of the Fair Value of the Fund's investments prove, on eventual realization, to have been lower than the true value of the applicable Fund's investments, new shareholder investment will, as a consequence of the resulting dilution, be a detriment to existing Investors.

**The Pricing Net Asset Value of the applicable Fund will be reduced when the Equity Participation Shares have value or are realized.**

Lions Capital and our Fund Managers have agreed not to exchange, or realize on the value of, any of the Equity Participation Shares until the Investment Objective and the Exchangeability Objective have both been met, even if these events occur sequentially. Once the Investment Objective has been met, the number of Equity Participation Shares which "have value", and are therefore included in the Pricing Net Asset Value per Share calculation, and which are contingently exchangeable or upon which a dividend may be paid are calculated by dividing 20% of the realized return on the investment by the current Pricing Net Asset Value per Share of the applicable Fund or by multiplying the realized return on the investment by 20%. This will reduce the Pricing Net Asset Value per Share of the applicable Fund. Lions Capital and our Fund Managers have the right to exchange their Equity Participation Shares for Shares or to receive a dividend, including a capital dividend, on their Equity Participation Shares, as soon as the Equity Participation Shares have vested and upon satisfaction of the Investment Objective and the Exchangeability Objective. The exchange of the Equity Participation Shares to Shares of another class will increase the number of issued and outstanding Shares, and accordingly, reduce the Pricing Net Asset Value per Share of the applicable Fund. Please refer to "Organization and Management Details of Advantage – Details of the Advantage Management Agreement".

### **Changes to Investment Objectives or Strategies**

While the fundamental investment objectives, restrictions, policies or strategies of our Funds that are determined by the SBVCA can only be changed if the SBVCA is amended by government, the fundamental investment objectives, restrictions, policies or strategies of our Funds that are determined by our Board and the board of directors of Lions Capital can be changed by our Board and the board of directors of Lions Capital. For example, we may change the mandate of a Fund to focus on a different sector of investments within the broader category of investments permitted under the SBVCA without any requirement to seek shareholder approval.

**Investors will be required to rely on our Officers, Board of Directors, and Lions Capital and our Fund Managers to conduct our business. As such, conflicts of interest may arise in the ordinary course of business.**

Our success may be dependent upon the continued support and involvement of our Board, Investment Committee, Audit and Valuation Committee and management team. There is no assurance that such individuals will remain associated with us or that if they leave, new members of equal quality will be found. In addition, the success of the Portfolio Companies in which we invest may be dependent upon the continued support and involvement of their management teams and our Mentors. If a Portfolio Company in which we invest should lose the services of some or all of its key individuals, the ability of the Portfolio Company to implement its business plan could be severely curtailed or delayed.

Our Directors and Officers will not be devoting all of their time to our affairs, but will be devoting such time as may be required to effectively manage Advantage. Certain of our Directors and Officers are engaged and will continue to be engaged in the search for investments for themselves and on behalf of others, including other VCCs, and private and public corporations. Accordingly, conflicts of interest may arise from time to time. Please refer to "Organization and Management Details of Advantage - Conflicts of Interest" and "Interest of Management and Others in Material Transactions".

**The holders of our Equity Participation Shares have the right to attend and vote at general meetings of our shareholders to elect such number of our Directors as is equal to not less than 20% of the total number of Directors that comprise our Board.**

However, our shareholders have the right to attend and vote at general meetings and vote for the appointment of 80% of the Directors to be appointed to our Board.

**We may become liable to repay Tax Credit amounts, which may impair our ability to carry on business and meet our commitments.**

The SBVCA stipulates that in certain circumstances, a VCC, its directors, officers or shareholders may be liable to repay all or a part of the Tax Credits received by investors to the Province of British Columbia where it is in non-compliance with the SBVCA. The result of a failure to comply with the legislation varies depending upon the particular nature of the non-compliance but essentially the SBVCA Administrator can require any non-complying

VCC to either rectify the circumstances of non-compliance, or to pay back the Tax Credits previously issued to its shareholders.

Generally, a VCC will be required to repay to the Province of British Columbia 30% of any amount paid to directly or indirectly acquire its own shares in breach of the SBVCA. A VCC will also be required to repay to the Province of British Columbia all Tax Credits issued to its shareholders if the VCC has its registration cancelled, dissolves or otherwise winds up its affairs.

A director, officer or controlling shareholder of a VCC who authorized, permitted or acquiesced in a transaction, event, or series of transactions or events that such person knew or ought to have known, at the time of the authorization, permission or acquiescence, would render the corporation incapable of making a repayment of the Tax Credits under the circumstances described above is liable to pay the Province of British Columbia an amount equal to the amount that the corporation is incapable of paying under the circumstances described above by virtue of the transaction, event or series of transactions or events.

Where, on the basis of information supplied by a director, officer or shareholder of a VCC, a Tax Credit Certificate has been issued and that information is false or misleading and the director, officer or shareholder knew, or ought to have known, that it was false or misleading, the director, officer or shareholder who supplied it is liable to pay the Province of British Columbia the amount of the Tax Credit.

**Issuance of Tax Credits by the SBVCA Administrator is discretionary and cannot be guaranteed. If we contravene the SBVCA, the SBVCA Administrator may revoke all of the Tax Credit Certificates issued in respect of the Offered Shares and deem them never to have been issued.**

Tax Credits are issued at the discretion of the SBVCA Administrator. There is no assurance that the Investment Capital Branch, operating under the SBVCA, will continue to operate or continue to provide a 30% Tax Credit to our Investors under this Offering for payments made or our Offered Shares acquired. Tax Credits are awarded only when the actual cash is paid for our Offered Shares. Further, Tax Credit Certificates are issued by the SBVCA Administrator only if we comply with both the technical requirements and the spirit and intent of the SBVCA.

The Province of British Columbia does not guarantee the value of any of our Offered Shares nor does it express an opinion about our financial condition, the merits of an investment in our Offered Shares, or the merits of our investments in Portfolio Companies. Investors must check their own personal tax situation and status in order to confirm that the foregoing is applicable to them.

**In situations where Offered Shares are transferred to an RRSP, RRIF or other registered plan or are redeemed, CRA may reassess the Fair Value of the Offered Shares as of the date of transfer which would affect the proceeds of disposition received by the transferor and may affect the amount of the deduction available as a result of the transfer.**

In particular, in situations where Offered Shares are transferred to an RRSP, RRIF, LIRA, LIF or LRIF, are contributed to an RRSP or are redeemed, the CRA may reassess the Fair Value of the applicable Offered Shares as of the date of such transfer, contribution or redemption. Such a reassessment will affect the proceeds of disposition received by the RRSP contributor and may affect the amount of the deduction available as a result of the contribution. The Offered Shares may not be qualified investments where the Annuitant or persons not at arm's length to the Annuitant own or are deemed to own more than 10% of any class of our Shares or any corporation related to us. Furthermore, there can be no assurance that the Fair Value of our Offered Shares if or when contributed to an RRSP or RRIF will equal or exceed your original cost.

**There can be no assurance that income tax laws or administrative practices will not be changed in a manner which will fundamentally alter the tax consequences to you of holding or disposing of our Offered Shares, or that proposed legislation will be enacted as currently proposed.**

The Federal Tax Act contains a number of broadly worded anti-avoidance provisions, which may affect the availability of tax deductions. There may be disagreements with the CRA with respect to certain tax consequences of an investment in our Offered Shares, or the contribution of our Offered Shares to an RRSP or RRIF, which may adversely affect you. You are advised to obtain independent tax and legal advice as to both the federal and provincial income tax consequences of the purchase of our Offered Shares, prior to purchasing any of our Offered Shares, as such consequences can vary depending upon the particular circumstances.

**The total amounts of Shares for which Investors will be entitled to Tax Credits that we have sold for any given period, as those amounts are reported in this Prospectus, are approximations.**

Due to the nature of how the selling of Shares eligible for Tax Credits is undertaken, the total amounts of Shares for which Investors will be entitled to Tax Credits that we have sold for any given period, as those amounts are reported in this Prospectus, are approximations. To process these sales, we must submit the list of purchasers to the SBVCA Administrator on an ongoing basis and the SBVCA Administrator must confirm that the purchasers meet the requirements of the SBVCA. This process takes time and can result in sales being adjusted, reversed and voided. Immediately following the date of this Prospectus there is the possibility that, in addition to new sales that occur, some prior sales which were included in the report may have been subsequently reversed.

**You should carefully consider the foregoing risk factors, as well as other matters outlined in this Prospectus, and you are strongly urged to consult with your own independent professional legal, tax, investment and accounting advisors, prior to purchasing any of our Offered Shares, to assess the risks, investment merits, income tax, legal and other aspects of an investment in our Offered Shares, including the suitability to your own particular financial circumstances and goals.**

### **DISTRIBUTION POLICY**

We may from time to time pay dividends on the Shares or the Equity Participation Shares out of monies legally available for the payment of dividends. We may consider paying dividends on the Shares or the Equity Participation Shares in the future when circumstances, including earnings, cash flow, financial and legal requirements and business considerations, permit.

### **PURCHASES OF SECURITIES**

Our Offered Shares, being the Advantage Venture Shares, Advantage Growth Fund Shares, Advantage Structured Fund I Shares, Advantage Structured Fund II Shares, Advantage Structured Fund III Shares and Advantage Structured Fund IV Shares, are offered on a continuous basis at the Pricing Net Asset Value per Share determined on the Valuation Date which falls on or occurs immediately after the date on which Advantage receives a duly completed subscription for such Offered Shares. Our Advantage Structured Fund I Shares, Advantage Structured Fund II Shares, Advantage Structured Fund III Shares and Advantage Structured Fund IV Shares are Shares of newly created Funds and are therefore being offered at a price of \$10 until the Board determines a different Pricing Net Asset Value per Share, and thereafter at the Pricing Net Asset Value per Share, determined on the Valuation Date. We have the right to suspend offering some or all of the classes of Offered Shares and recommence offering such Offered Shares at any time we deem appropriate, in our sole discretion.

We may raise at least \$10,000,000 in Offered Shares in respect of which Investors may receive Tax Credits for the 2009 taxation year. In addition, if we sell out our \$10,000,000 equity allocation, we can access an additional \$16,000,000 pool of Tax Credit allocation on a first come, first served basis with other retail VCC funds. Therefore, the maximum we may raise in Offered Shares in respect of which Investors may receive Tax Credits for the 2009 taxation year is \$26,000,000, assuming we access the entire excess pool of Tax Credit allocation available to all retail VCC funds. In the event we sell our entire equity capital allocation for our Offered Shares for the 2009 taxation year prior to January 1, 2010, we will suspend sales of such Shares until January 1, 2010 at which point we will begin selling Offered Shares that are eligible to receive Tax Credits for the 2010 taxation year. If Advantage receives from the SBVCA Administrator an additional equity allocation(s) for the 2009 taxation year, Advantage will continue selling Offered Shares that are eligible to receive Tax Credits for the 2009 taxation year up until the earlier of March 1, 2010 or such date as Advantage has sold such additional allocation(s).

We reserve the right to accept or reject subscriptions in whole or in part at our discretion and to close the subscription books at any time without notice. Any subscription funds for subscriptions that we do not accept will be returned promptly after Advantage has determined not to accept the funds.

Share certificates will not be provided. Investors will receive, within 30 days of share registration, an investment confirmation setting out the number(s) and class(es) of Offered Shares acquired, the price(s) paid per Offered Share and the total amount(s) paid. The minimum initial subscription for Offered Shares is \$500. All subsequent subscriptions for Offered Shares must be in increments of \$500.

To be eligible for Tax Credits in respect of the purchase of Offered Shares, each Eligible Investor must file with his, her or its, as the case may be, tax return the Tax Credit Certificate issued to him, her or it in respect of such purchase. Advantage will arrange to provide all necessary shareholder information to the SBVCA Administrator, who will provide Tax Credit Certificates to Eligible Investors.

We distribute our Offered Shares through Selling Agents. At a Selling Agent's option, Advantage will either: (a) pay an up front cash commission to a Selling Agent equal to up to 7.5% of the gross proceeds of the Shares sold by the Selling Agent; or (b) pay an up front cash commission to a Selling Agent equal to 5% of the gross proceeds of the Shares sold by the Selling Agent and a servicing (or trailer) fee of 0.5% per annum of the aggregate Pricing Net Asset Value of the Shares held by clients of the Selling Agent, calculated monthly and paid quarterly. In the event that Advantage does not pay a cash commission to a Selling Agent through whom an Investor purchased Offered Shares, that Investor may pay per Offered Share an amount equal to 95% of the Pricing Net Asset Value per Share.

Advantage reserves the right to not pay, and not to accrue any service fee if the amount is less than \$50 per quarter or in other specific circumstances Advantage may specify from time to time. In some situations Advantage may pay additional fees to Selling Agents and investment bankers, such fees to include, without limitation, corporate finance fees, bonuses and syndication fees. These fees may vary in form and structure, be applied on an individual basis, and be commenced or terminated at any time. Advantage will also distribute Shares through persons registered as mutual fund dealers subject to the conditions contained in B.C. Instrument 32-505.

A dealer may make provision in arrangements that it has with an Investor that will require the Investor to compensate the dealer for any losses suffered by the dealer in connection with a failed settlement of a purchase of Shares caused by the Investor.

## **REDEMPTION OF SECURITIES**

### **Redemption Rights**

#### ***Redemption of Shares by Holders***

Our Shares are redeemable only:

- (a) on or after the date that is five years from the date that 80% of the proceeds from the sale of Shares in a given calendar year are invested in ESBs;
- (b) during the one month period prior to the date referred to in (a) above, where the holder thereof is concurrently subscribing for Shares on terms and conditions acceptable to us; and
- (c) otherwise with the approval of our Board of Directors and, if necessary, the approval of the SBVCA Administrator.

The redemption of our Shares is subject to our right to decline redemptions as described below under "Suspension of Redemptions".

Where a redemption occurs, the Shares will be redeemed for the Redemption Price, which is defined as the Pricing Net Asset Value per Share of a Fund determined as at the end of the Valuation Date which falls on or occurs immediately after the date on which we receive a Redemption Request, and any dividends then declared and remaining unpaid in respect of the Shares of that Fund.

The SBVCA Administrator regulates the number of Shares of a given Fund that are available for redemption from year to year. Based on correspondence with the SBVCA Administrator, our Advantage Venture Fund Shares and Advantage Growth Fund Shares are available for redemption in accordance with the following tables:

#### **Advantage Venture Fund**

	2009	2010	2011	2012	2013
<b>Shares Available for Redemption</b>	316,317	1,132,445	817,412	1,195,985	1,478,406

**Advantage Growth Fund**

	2009	2010	2011	2012	2013
<b>Shares Available for Redemption</b>	nil	97,609	97,866	1,110,955	248,878

Our Structured Funds have not issued any Shares to Investors and therefore do not have any Shares available for redemption.

The number of Shares available for redemption as disclosed above represent the maximum number of Shares available for redemption in the specified years. In practice, the number of Shares actually redeemed may be less due to Investors deciding not to redeem Shares or to rollover Shares into new Shares of Advantage to receive a new Tax Credit.

We will use the net proceeds of disposition of Portfolio Companies, any income received from Portfolio Companies and any income received on cash balances to meet redemption requests. In due course, to meet redemption requests, we will need to sell Portfolio Companies or earn sufficient income from Portfolio Companies and cash balances. There are circumstances in which we may be unable to sell Portfolio Companies or generate sufficient income to earn sufficient cash to meet redemption requests. Please refer to "Suspension of Redemptions" below, and also "Risk Factors".

***Redemption Procedure***

When an Investor wishes to redeem Shares, the Investor must follow the procedure set out below. We reserve the right to amend this procedure in the future.

To have Shares redeemed, the Investor must deliver a Redemption Request to us. The Redemption Request must be signed by the Investor or his or her properly authorized investment dealer or broker, and it must specify the number of Shares which the Investor wishes to have redeemed. To ensure that no mistakes are made, we reserve the right to reject a Redemption Request form if it is not completed correctly. The forms for Redemption Requests will be available from our Selling Agents and from us.

Subject to the restrictions on redemption and the other restrictions set forth below under "Suspension of Redemptions" below, we will, within 30 days of receiving a properly completed Redemption Request, pay (or cause to be paid) the Redemption Price to or to the order of the holder of the Shares being redeemed, or to the holder's authorized investment dealer or broker. Upon making this payment, the redeemed Shares will be cancelled.

As we may be receiving Redemption Requests from time to time, we will process the requests and redeem the Shares in the order in which we receive them. Investors should understand that redemptions need not be made pro rata among every shareholder who holds Shares to be redeemed, unless we determine it would be appropriate to do so.

In any case, the procedure and manner of payment for redemption of any Shares may be modified by agreement between ourselves and the Investor or his, her or its authorized agent, investment dealer or broker. A dealer may make provision in arrangements that it has with an Investor that will require the Investor to compensate the dealer for any losses suffered by the dealer in connection with any failure of the Investor to satisfy our requirements or the requirements of securities legislation for a redemption of Shares.

***Suspension of Redemptions***

As set out in our Articles, we will not complete a Redemption Request if:

- (a) we are not in compliance with the minimum investment requirements under the SBVCA or the redemption would cause us not to be in compliance with the minimum investment requirements under the SBVCA by reducing our available funds to an amount that is less than the aggregate amount of all future investments we are required to make in order to remain in compliance with such investment requirements;

- (b) we have a working capital deficiency or the redemption would cause us to have a working capital deficiency;
- (c) we are insolvent or the redemption would cause us to be insolvent;
- (d) the redemption would cause us to be in default of our financial obligations under a bona fide arm's length loan agreement;
- (e) the redemption is otherwise prohibited under applicable law; or
- (f) our Board of Directors determines, in its sole discretion, that the redemption should not proceed.

The SBVCA provides that we may redeem our Shares but that in certain circumstances we may become obliged to pay to the Minister of Finance an amount which is equal to some or all of the 30% Tax Credit originally given in respect of those Shares. The actual amount to be paid would depend upon whether the Shares are redeemed for more or less than their original issuance price. In any event, no amount will be payable to the Minister of Finance so long as we have invested the funds we raise in ESBs within the required "pacing" period, and so long as the funds are kept invested in ESBs for the prescribed period. The pacing requirements require that 40% of the funds raised by us during a fiscal year be invested by no later than the end of the first following fiscal year, and that 80% be invested by no later than the end of the second following fiscal year following the original date of the issuance of the Shares. The prescribed period to keep the funds invested is five years from when the eligible investments are made. Should we divest ourselves of our Eligible Investment prior to the expiration of the statutory five year period and fall below the minimum level requirements, we must reinvest additional funds into another Eligible Investment for the remainder of the five year period or we may face the possibility of program suspension and repayment of Tax Credits. As such, it is in our interests to not redeem any Shares unless and until these criteria are met. This may make the redemption period, for practical purposes, longer than five years. We will take these concerns into account when deciding whether or not to permit a redemption.

In addition to the restrictions on redemption in our Articles and under the SBVCA, there are practical limits on the number of redemption requests that we will be able to fulfill after the initial hold period, which practically speaking may be six to seven years, such limits to depend on the number of investments in Portfolio Companies that we have sold and that have met our return objectives by that time. Practically speaking, Investors will not be able to redeem their investment for six to seven years from the date they invest in a Fund.

Unless withdrawn, a Redemption Request that we have declined, in whole or in part, in any of the circumstances described above will remain in effect and will be deemed to have been received by us on the first day on which the applicable circumstances no longer pertain. Where we have more than one declined Redemption Request, such request will be deemed to have been received on such day and received in the order in which they were originally received, in priority to any other Redemption Requests received by us on such day.

The Redemption Price to be paid in respect of any Shares redeemed upon completion of a previously declined Redemption Request will be equal to the Redemption Price that would have been payable in respect of such Shares had the Redemption Request actually been processed on the day on which it is deemed to have been received.

### **Conversion Right**

By resolution of our Board of Directors, we are entitled at any time to require that all or any class of Shares be converted into any other class of Shares, so long as the conversion is carried out based on the respective Pricing Net Asset Value per Share of the respective classes of Shares.

The conversion right herein provided for may be exercised by us by delivering a written notice of the conversion to the holders of the Shares that are being converted into a different class of Shares, including the terms of conversion.

Within 30 days of a conversion, Investors will receive a confirmation setting out the number of Shares acquired on the conversion. No fractional Shares will be issued upon any conversion of the Shares and the number of new Shares received will be rounded down to the nearest whole Share.

In April 2009, our Board exercised the conversion right contained in our Articles with the result that all of the remaining shares of our Advantage Life Science Fund I were converted to Advantage Venture Shares on April 9, 2009 at an exchange ratio determined on the basis of the relative net assets per share of the Advantage Life Science Fund I and the Advantage Venture Fund on that date.

On May 22, 2008, the board of directors of our predecessor company B.C. Advantage Funds (VCC) Ltd. exercised the conversion right contained in the company's Articles with the result that, effective June 5, 2008, all of the Advantage Technology Shares outstanding in our predecessor company converted to Advantage Venture Shares of our predecessor company.

The board of directors of our predecessor company B.C. Advantage Funds (VCC) Ltd. further exercised the conversion right with the result that, effective June 5, 2008, all of the Advantage Venture Common Shares in respect of which Investors were holding their investment in an RRSP, or other registered account, were converted to Advantage Venture RRSP Common Shares. We expect our Board to exercise the conversion right annually and in the normal course of business in order to track whether or not Investors hold their Shares in an RRSP, or other registered account. Please refer to "Attributes of the Securities Being Distributed – Description of the Securities Distributed".

## **INCOME TAX CONSIDERATIONS**

Our management believes that the following summary presents fairly the principal federal and British Columbia income tax considerations generally applicable to us and to Investors pursuant to this Prospectus. This summary assumes that the purchaser is an Investor who is at all material times resident in Canada and British Columbia, deals at arm's length and is not affiliated with us and holds Shares as capital property all within the meaning of the Federal Tax Act and the B.C. Tax Act. Shares will generally be considered to be capital property to an Investor unless the Investor holds such Shares in the course of carrying on a business or has acquired such Shares as an adventure in the nature of trade.

Advantage has obtained registration as a VCC under the SBVCA. This summary assumes that we are qualified as a VCC under the SBVCA and will continue to be so qualified hereafter on a continuous basis.

This summary is based on the Federal Tax Act, the B.C. Tax Act, the SBVCA, all published proposals for the amendments to the Federal Tax Act, the B.C. Tax Act and the SBVCA (the "**Proposed Amendments**") and upon an understanding of the prevailing administrative practices of the CRA and the British Columbia Ministry of Finance. This summary does not address all of the federal and British Columbia income tax consequences of an investment in the Shares and also does not address the application of any income tax laws of any province other than British Columbia or any territory or foreign jurisdiction. This summary does not otherwise take into account or anticipate any change in law or administrative practice. No assurances can be given that the Proposed Amendments will be enacted as proposed or that legislative, judicial or administrative changes will not modify or change the statements expressed herein.

**This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Investor. Each Investor is advised to obtain independent advice regarding the federal and British Columbia income tax consequences of investing, holding and disposing of Shares having regard to the Investor's particular circumstances.**

### **Status of Advantage**

#### ***Qualified Investment***

A Share will be a qualified investment under the Federal Tax Act for an RRSP or a RRIF, except in certain limited situations. A Share will not be a qualified investment for an RRSP or RRIF if the Investor who is the Annuitant thereunder owns, directly or indirectly, 10% or more of our issued Shares of any class or of any other corporation that is related to us unless the aggregate cost of all such Shares is less than \$25,000 and the Investor deals at arm's length with us or any corporation that is related to us. In determining whether the 10% and \$25,000 limits are exceeded, each Investor is deemed to own all the Shares that are owned by persons with whom the Investor does not deal at arm's length and each beneficiary of a trust or member of a partnership is deemed to own that proportion of all such Shares owned by the trust or partnership that the Fair Value at that time of the beneficial interest of the beneficiary in the trust or the member's interest in the partnership is of the Fair Value of all beneficial interests in the trust or interests in the partnership.

Shares may not be a qualified investment for an RRSP or RRIF if an Investor provides services to, or acquires goods from, or is provided services by, us or persons related to us and the RRSP or RRIF receives an amount from us in respect of the Shares that could reasonably be considered to be on account of, or in lieu or satisfaction of payment

for such goods or services. The detailed rules relating to the eligibility for investments are set out in the Federal Tax Act. **Investors should consult their own professional tax advisors to confirm whether Shares are qualified investments for their RRSPs or RRIFs, based upon their particular circumstances.**

A Share will be a qualified investment for a TFSA, except in certain limited circumstances. A Share will not be a qualified investment for a TFSA if the Investor who is the Annuitant thereunder owns, directly or indirectly, 10% or more of our Issued Shares of any class or of any other corporation that is related to us unless the aggregate cost of all such Shares is less than \$25,000 and the Investor deals at arm's length with us or any corporation that is related to us. In determining whether the 10% and \$25,000 limits are exceeded, each Investor is deemed to own all the Shares that are owned by persons with whom the Investor does not deal at arm's length and each beneficiary of a trust or member of a partnership is deemed to own that proportion of all such Shares owned by the trust or partnership that the Fair Value at that time of the beneficial interest of the beneficiary in the trust or the member's interest in the partnership is of the Fair Value of all beneficial interests in the trust or interests in the partnership.

The SBVCA currently does not permit an Investor to claim a Tax Credit where Shares are acquired directly by a TFSA. Investors who wish to purchase Offered Shares on behalf of a TFSA and receive a Tax Credit should first purchase the Offered Shares directly and then transfer the Shares to a TFSA. There may be tax consequences to an Investor transferring Shares to a TFSA that will depend on the Investor's particular circumstances, the manner in which the Shares were acquired and the provisions of the Federal Tax Act and the SBVCA then in effect. Accordingly, each Investor is advised to obtain independent advice regarding the federal and British Columbia income tax consequences of purchasing Shares for a TFSA having regard to the Investor's particular circumstances.

### **Taxation of Advantage**

#### *Federal Taxation*

### **Calculation of Income and Taxes**

We are a private corporation. We will qualify as a Canadian-controlled private corporation under the Federal Tax Act throughout each year in which we are not controlled, directly or indirectly in any manner whatever, by one or more non-residents of Canada, public corporations, corporations a class of shares of the capital stock of which are listed on a prescribed stock exchange, or any combination thereof.

We will be required to calculate income or loss for each taxation year and file income tax returns and pay income tax on taxable income for each year.

### **Dividends Received**

Dividends received by us from taxable Canadian corporations will generally not be subject to income tax. Provided that the dividends are received by us from a corporation that is an Eligible Investment of ours, we will not be subject to Part IV tax in respect of the dividend.

### **Capital Gains and Losses**

Gains or losses, realized by us on the disposition of our investments will generally be treated as capital gains or losses, but in some cases, these gains may be classified as income, depending on the facts related to a particular transaction. One-half of any capital gain or capital loss will be our taxable capital gain or allowable capital loss, as the case may be. Our taxable capital gains for a year, net of any allowable capital losses, will be included in computing our income for tax purposes. In certain circumstances, a capital loss which arises in respect of shares disposed of by us may be reduced by the amount of any dividends including deemed dividends which have been received by us on such shares prior to the disposition. Our allowable capital losses may be deducted only against taxable capital gains arising in the three previous taxation years or any future year.

We are not currently a mutual fund corporation under the Federal Tax Act. Subject to detailed rules specified in the Federal Tax Act, investment funds that are mutual funds can avoid entity level taxes on capital gains by making distributions to shareholders. The effect of such distributions is to transfer to the shareholders the income tax liabilities the investment fund would otherwise have in respect of their net realized taxable capital gains. As a result, holders of the shares of such investment funds that are RRSPs or RRIFs, which are exempt from tax, and holders of

the shares of such investment funds that are otherwise able to offset the income tax liabilities, may benefit from an increased Pricing Net Asset Value per Share to the extent that the investment fund is able to maintain an increased Pricing Net Asset Value as a result of having so reduced its income tax liabilities. We will not be able to provide this same benefit to the holders of our Shares. In this respect, we are different from most other types of investment funds and an investment in us may be less appropriate for an RRSP or RRIF than an investment in a fund that is able to, in effect, transfer its income tax liabilities to its shareholders. We will be taxed on our capital gains as described above. Provided that we are a Canadian-controlled private corporation (as defined in the Federal Tax Act) the effective tax rate in respect of capital gains realized by us is 22.85% as of June 11, 2009. However, if we pay or are deemed to pay sufficient dividends in a year, we may be entitled to a refund of a portion of this tax. If the maximum refund is obtained, our effective tax rate on capital gains will be reduced to approximately 9.5% as of June 11, 2009.

We are subject to taxation as a single corporate entity and therefore are required to annually file an income tax return encompassing all three of our Funds. Notwithstanding this, the value of each of our classes of Shares is dependent on the net assets of each respective Fund. We therefore determine the Pricing Net Asset Value per Share of each class as if each Fund had to file a separate income tax return each year.

We have implemented an inter-fund tax transfer policy in order to determine the Pricing Net Asset Value per Share of a respective Fund as if each Fund had to file a separate income tax return. If a Fund has net taxable income in a taxation year and the other Funds have excess current period tax deductions or losses from prior periods available, the Fund will utilize current tax deductions and then losses carried forward to minimize its taxable income. When a Fund utilizes tax attributes of another Fund, the transfer of these tax attributes will be reflected in each Fund's statement of operations within income tax expense or recovery, as appropriate, and in each Fund's net assets as an inter-Fund receivable or payable. We will take this into account in determining the Pricing Net Asset Value per Share of each of the Funds each quarter by adding or subtracting, as the case may be, an amount equal to the total tax deductions utilized or given up during the quarter multiplied by the applicable tax rate (excluding any potential refund of tax resulting from the payment of dividends, which will be recorded when realized).

In addition, we will take into account the net future income tax asset or liability of each Fund in determining the Pricing Net Asset Value per Share of the Fund at the end of each quarter. The net future income tax asset or liability will be calculated in accordance with GAAP.

The Fund will not update the calculations of current or future taxes with the weekly determination of Pricing Net Asset Value per Share. Instead, the Fund will update the current and future tax calculations used in Pricing Net Asset Value per Share on a quarterly basis.

### **Interest and Other Investment Income**

Interest and other investment income (other than dividends received on shares of taxable Canadian corporations) will be included in computing our income for a year.

### **Dividends Paid**

To the extent that we pay out dividends or are deemed to pay out dividends on the Shares, we will be entitled to a refund of the income tax paid on our investment income (including capital gains) equal to the lesser of:

- (a) one-third of the taxable dividends paid in the year to our shareholders; and
- (b) our refundable dividend tax on hand at the end of the year.

The refundable dividend tax on hand account is essentially a cumulative amount equal to a portion of the income tax paid on our investment income and taxable capital gains, determined in accordance with the detailed rules in the Federal Tax Act.

Provided we are a Canadian-controlled private corporation throughout our taxation year, the effective combined federal and British Columbia income tax rate on investment income earned by us (other than dividends from taxable Canadian corporations) is 45.7% as of June 11, 2009 including the refundable tax. If we pay or are deemed to pay dividends in the year sufficient to obtain the maximum tax refund, our net combined federal and British Columbia tax rate on such investment income earned will be 19.0% as of June 11, 2009.

Our management assumes that we will be a financial intermediary corporation as defined by subsection 191(1) of the Federal Tax Act. As a result, we will not be subject to tax under Part VI.1 of the Federal Tax Act in respect of taxable dividends paid by us. Provided that no shareholder or group of shareholders not dealing at arm's length own more than 10% of the Fair Value of our Shares, we will be a financial intermediary corporation because we will be a prescribed VCC under the Federal Tax Act. If we are not a financial intermediary corporation, Part VI.1 tax may be payable by us in respect of dividends paid to a shareholder or group of shareholders not dealing at arm's length that own more than 10% of the Fair Value of our Shares (unless those shareholders have a substantial interest in us as defined by subsection 191(2) of the Federal Tax Act). Three times the amount of tax payable under Part VI.1 of the Federal Tax Act would be deductible by us in computing our taxable income under the Federal Tax Act.

### **Issue Expenses**

Our issue expenses are not deductible in their entirety in the year incurred, but are deductible at the rate of 20% per year on a straight-line basis, subject to pro-rating in short taxation years.

### ***British Columbia Taxation of Advantage***

For the purposes of provincial corporate income tax, our aggregate income will be attributed to, and taxable in those provinces in which it is earned. We do not expect to earn any significant amount of income attributable to any province other than British Columbia for our 2009 fiscal year. Our British Columbia tax treatment will parallel the federal tax treatment discussed above under the heading "Income Tax Considerations – Taxation of Advantage – Federal Taxation".

### ***Liability for Repayment of Tax Credits***

If we have our registration revoked under the SBVCA, resolve to wind-up or dissolve Advantage, directly or indirectly acquire one or more of our Shares prior to the permitted redemption date under the SBVCA, or undertake other ineligible transactions or events specified under the SBVCA, we may be required to pay to the British Columbia Minister of Finance all or part of the Tax Credits issued in respect thereof. Please refer to "Redemption of Securities – Redemption Rights – Suspension of Redemptions".

### ***Other***

Our Funds have not deviated in the past year from the rules under the Federal Tax Act that apply to the status of our Shares as qualified investments for RRSPs or RRIFs within the meaning of the Federal Tax Act.

### **Taxation of Securityholders**

#### ***Tax Credit***

An individual (other than an estate or trust) or a corporation that is a Tax Credit Recipient will generally be eligible for a Tax Credit equal to 30% of the amount of the price of Shares subscribed for pursuant to this Prospectus. An individual resident in British Columbia who is the Annuitant under an RRSP or RRIF will be entitled to the Tax Credit in respect of Shares that are initially acquired by the RRSP or RRIF. Please refer to "Income Tax Considerations – Taxation of Registered Plans".

The B.C. Tax Act provides that an Individual Tax Credit Recipient shall deduct from tax otherwise payable under the B.C. Tax Act, in respect of the taxation year in which the Shares are subscribed for or the taxation year ending prior to the date the Shares were subscribed for if the purchase occurred in the 60 days immediately following the taxation year and the Individual Tax Credit Recipient makes the appropriate election, the lesser of his or her Tax Credit or \$60,000. To the extent that the Tax Credit of an Individual Tax Credit Recipient exceeds the amount of tax otherwise payable under the B.C. Tax Act, the Individual Tax Credit Recipient will be entitled to a refund of the difference between his or her Tax Credit or \$60,000, as applicable, and the tax otherwise payable under the B.C. Tax Act by the Individual Tax Credit Recipient.

In administering the refund process, the refund may first apply to offset other amounts payable, including arrears under both the Federal Tax Act and the B.C. Tax Act. If an Individual Tax Credit Recipient has a Tax Credit in excess of \$60,000, the B.C. Tax Act provides that the excess may be carried forward and utilized, subject to an

annual limitation of \$60,000, in any of the four subsequent taxation years. Please note that an Individual Tax Credit Recipient may claim a tax credit in the prior year if the Shares are purchased within the first 60 days of the year.

The B.C. Tax Act provides that a Corporate Tax Credit Recipient shall deduct from tax otherwise payable under the B.C. Tax Act, in respect of the taxation year in which the Shares are subscribed for, an amount equal to the lesser of the Tax Credit and the amount of tax that would otherwise be payable under the B.C. Tax Act but for the Tax Credit. A Corporate Tax Credit Recipient is not limited to a maximum deduction of \$60,000. A Corporate Tax Credit Recipient will not receive a refund if its Tax Credit exceeds the amount of its tax otherwise payable under the B.C. Tax Act for the taxation year. A Tax Credit not utilized by a Corporate Tax Credit Recipient may be carried forward for up to four subsequent taxation years and will be utilized to the extent that there is tax otherwise payable under the B.C. Tax Act in any such taxation year.

To claim a Tax Credit, the Tax Credit Recipient must file a copy of the Tax Credit Certificate provided by the SBVCA Administrator with his, her or its annual return for the taxation year in respect of which the Tax Credit is being claimed.

We will apply on behalf of the Tax Credit Recipient for a Tax Credit Certificate entitling the Tax Credit Recipient to a Tax Credit. It is understood that the SBVCA Administrator will issue a Tax Credit Certificate to the Tax Credit Recipient where the SBVCA Administrator is satisfied of the following:

- (a) we have not contravened a provision of the SBVCA;
- (b) Advantage, our Directors, Officers and shareholders are conducting our business and affairs in a manner that is not contrary to the spirit and intent of the SBVCA whether or not there has been a contravention of the SBVCA;
- (c) we have established and maintained the IPA;
- (d) no Tax Credit or grant under the SBVCA has been previously allowed or paid for those Shares;
- (e) the equity capital, in respect of which the Tax Credit is applied for under the SBVCA, consists of equity capital of the VCC that has been approved in accordance with the SBVCA;
- (f) the Shares, in respect of which the Tax Credit is applied for, are not a type of security that entitles the holder to claim a tax credit against tax payable under the Federal Tax Act;
- (g) the Investor has acquired the Shares directly from us or from an agent of ours acting on their behalf; and
- (h) the Investor, if an individual, was resident in British Columbia at the date the Investor subscribed for the Shares.

We are not aware of any act or omission that would cause the SBVCA Administrator to withhold the issuance of Tax Credit Certificates on the basis of any of the foregoing.

The SBVCA Administrator will be entitled to revoke a Tax Credit Certificate if, at the time the Tax Credit Certificate is issued, we are in contravention of the SBVCA or if, at a subsequent time, we contravene the SBVCA. Where a Tax Credit Certificate is revoked, it would be deemed never to have been issued. As a result, Tax Credits would not be available. We intend to be in compliance with the SBVCA at all times.

#### ***Adjustment of Income Tax Withheld of Instalment Payments***

The Tax Credit reduces income taxes otherwise payable under the B.C. Tax Act. A Tax Credit Recipient may therefore be able to reduce the amount of the tax instalments otherwise payable for the year to which the Tax Credit relates or for a following year. An Individual Tax Credit Recipient who is an employee may be able to reduce the amount of tax withheld by his or her employer from the remuneration paid for the year to which the Tax Credit relates.

### ***Deduction of Interest on Borrowed Money***

A reasonable amount of interest that is paid or payable pursuant to a legal obligation to pay interest on borrowed money used to acquire Shares may be deductible by an individual or corporate Investor for income tax purposes provided the Shares are owned by the individual or corporate Investor for the purpose of earning income. However, no amount of interest is deductible for income tax purposes in respect of any period after which the borrowed money (or other property) is used for the purpose of making a contribution to, or paying a premium under, an RRSP or other deferred income plan.

If an individual or corporate Investor disposes of Shares, interest on the borrowed money may cease to be deductible. **Investors should consult their own professional tax advisors to determine when interest paid on money borrowed to acquire Shares will be deductible in their particular circumstances.**

### ***Consequences of the Disposition of Shares***

An Investor who disposes of or is deemed to dispose of a Share will realize a capital gain (or capital loss) in the taxation year of the disposition equal to the amount by which the proceeds of disposition in respect of such Share exceed (or are less than) the aggregate of the Investor's adjusted cost base of such Share and all reasonable costs of disposition. If the Investor is an RRSP or RRIF, no income tax will be payable on any capital gain realized on a disposition of a Share.

Capital losses sustained on the transfer or contribution of Shares to an RRSP or RRIF are not allowable capital losses and cannot be used to offset capital gains. If a capital loss is realized by an RRSP or RRIF, the amount of the capital loss may not be deducted by the Annuitant in computing his or her income for tax purposes.

One-half of any capital gain is a taxable capital gain that must be included in computing income for income tax purposes. One-half of any capital loss is an allowable capital loss that may be deducted in computing income, but only against taxable capital gains. Allowable capital losses not deductible in the current year may be deducted against taxable capital gains in computing income for the three preceding or any future taxation years. Where a capital loss is incurred, to the extent that the Investor received or will receive a Tax Credit related to their investment, the amount of the capital loss would be reduced accordingly by the amount of the Tax Credit received/receivable.

### ***Calculation of Adjusted Cost Base***

In calculating the gain or loss on the disposition of Shares, the adjusted cost base of the Shares will generally be the amount paid to acquire the Shares. The cost of any Shares acquired by an Investor pursuant to this Prospectus will be averaged with the cost of all of the Shares owned by the Investor for purposes of determining the Investor's adjusted cost base of such Shares.

### ***Redemption of Shares***

On the redemption of a Share, the Investor will be deemed to receive a dividend equal to the excess of the redemption price paid by the Funds over the paid-up capital of the Share. The paid-up capital of a Share for income tax purposes is analogous to the concept of stated capital, and can generally be defined as the amount paid by way of cash or by way of the transfer of property to a corporation in return for shares, subject to specific adjustments under the Federal Tax Act.

The dividend arising on redemption will be taxed as described in "Income Tax Considerations – Taxation of Securityholders - Dividends". A gain or loss will be calculated on the disposition of the Share to the Funds, as described in "Income Tax Considerations – Taxation of Securityholders - Consequences of the Disposition of Shares"; however, the proceeds of disposition will be reduced by the amount of the deemed dividend, if any.

### ***Conversion of Shares***

Shares held by an Investor carry a conversion right as described in "Redemption of Securities – Conversion Right". On the conversion of a Share, the converted Share would generally be treated as if it had not been disposed of and the cost of the new Share would be determined with reference to the adjusted cost base of the converted Share.

### *Minimum Tax*

The Federal Tax Act provides for an alternative minimum tax to be payable by individual Investors if their minimum tax calculated as required exceeds their tax otherwise payable. The federal minimum tax rate of 15% is applied on the amount by which an individual's "adjusted taxable income" exceeds the individual's basic exemption of \$40,000. The federal minimum tax rate applied is laid out in the Federal Tax Act and may change from year to year.

The Tax Credits do not affect the calculation of adjusted taxable income. The Tax Credit will reduce British Columbia income taxes otherwise payable even where minimum tax is payable under the Federal Tax Act.

### *Dividends*

Dividends, other than capital dividends, paid on Shares and received, or deemed to be received, by an individual, will be included in computing the individual's income subject to the gross-up and dividend tax credit rules in the Federal Tax Act applicable to taxable dividends received from taxable Canadian corporations.

Dividends, other than capital dividends, paid on Shares and received, or deemed to be received, by a corporation, will be included in computing the corporation's income. However, the recipient corporation will generally be entitled to deduct an equivalent amount. Investors that are private corporations or other corporations controlled by or for the benefit of an individual or related group of individuals may be liable for a refundable tax under Part IV of the Federal Tax Act equal to one-third of the amount of the dividend. This tax is refundable upon the payment of sufficient taxable dividends by such corporation. Investors that are corporations other than private corporations may be liable for tax under Part IV.1 of the Federal Tax Act equal to 10% of the amount of the dividend. Where corporations are subject to tax under both Part IV and Part IV.1, all or a portion of the tax payable under Part IV.1 will be deductible from the tax payable under Part IV.

To the extent that we have a positive balance in our capital dividend account, we may elect to pay a capital dividend. A capital dividend would be received tax-free by an individual or corporate recipient. In general, we may have a positive balance in our capital dividend account if the amount of the non-taxable portion of capital gains realized by us and capital dividends received by us exceeds the non-taxable portion of capital losses realized by us and capital dividends paid by us. At the discretion of our Board of Directors, we may elect to pay capital dividends or taxable dividends on certain classes of Shares or our Equity Participation Shares, to the exclusion of others. A holder of a Share which is an RRSP or RRIF is exempt from tax on the amount of any dividend.

We will issue to the holders of Shares a tax reporting form (T5 Supplementary) relating to all taxable dividends paid by the Funds.

### **Taxation of Registered Plans**

This discussion applies to an RRSP for which Shares are a qualified investment (see "Income Tax Considerations – Status of Advantage – Qualified Investment" above). Shares may be held in an RRSP under which the Individual Tax Credit Recipient is the Annuitant or a Spousal RRSP under which the Spouse of such individual is the Annuitant. The individual may acquire the Shares directly from us and then transfer or contribute them to the RRSP or may cause the RRSP to acquire the Shares directly from us. Where Shares are acquired directly by an RRSP, the individual who is the Annuitant under the RRSP will be entitled to a Tax Credit in respect of those Shares, assuming the other conditions are met. The following discussion deals with the different options available for holding Shares in an RRSP or RRIF. **The income tax consequences to an individual Investor of holding his or her Shares through an RRSP and of either transferring Shares to such RRSP or causing the RRSP to acquire the Shares directly will depend on the individual Investor's particular circumstances. Individual Investors are encouraged to consult their own professional tax advisors as to the particular income tax consequences of acquiring or holding Shares in an RRSP or RRIF.**

### *Acquisition by an RRSP*

There are three ways in which an Investor can acquire Shares through an RRSP for the Investor or by a Spousal RRSP for the Spouse of the Investor, as set out below:

- (1) An Investor can direct that an RRSP purchase Shares directly from us. In this case, the Investor, as the Annuitant of the RRSP, will be entitled to a Tax Credit in respect of the Shares purchased by the RRSP.
- (2) If the Investor has sufficient RRSP deduction limit, he or she can contribute funds directly into the RRSP which can then purchase the Shares directly from us. This type of acquisition entitles the Investor to a Tax Credit in respect of the Shares.
- (3) An Investor can purchase Shares from us, which entitles the Investor to a Tax Credit in respect of the Shares, and subsequently make an in kind contribution to the RRSP by transferring the Shares to the RRSP.

If the Investor has a sufficient RRSP deduction limit, the transfer of Shares to the RRSP will qualify as a deductible contribution to the RRSP. If the Investor does not have a sufficient RRSP deduction limit, the transfer of the Shares to the RRSP will not constitute a deductible contribution for the Investor and a monthly penalty tax of 1% may apply to contributions made above the RRSP deduction limit. The Investor's proceeds of disposition and the RRSP's cost of acquisition of any Shares transferred or contributed by an Investor to the RRSP will be the Fair Value of the Shares at the time of the transfer.

The determination of the Fair Value of the Shares at the time of the transfer is a factual matter. Our management is of the view that the Fair Value of Shares is the Pricing Net Asset Value per Share as determined by the Board as at the relevant Valuation Date. However, the CRA has the right to review and challenge the Fair Value of a Share. The Pricing Net Asset Value per Share will fluctuate over time in accordance with changes to the value of the Funds' investments in applicable ESBIs. An Investor who wishes to acquire Shares and to transfer them to an RRSP on a date subsequent to their acquisition should take into account the potential risk of realizing a capital gain or unusable capital loss upon such transfer. Please refer to "Income Tax Considerations – Taxation of Securityholders - Consequences of the Disposition of Shares".

### ***Contribution to an RRSP***

Where an Investor who is an individual has sufficient RRSP deduction limit, the acquisition of Shares by an RRSP or the Spouse's RRSP ("**Spousal RRSP**") (or a contribution of Shares from the individual immediately after the Shares are acquired by the individual or a direct RRSP purchase funded by the individual) will qualify as a contribution. Contributions to RRSPs are deductible in accordance with the detailed provisions of the Federal Tax Act. This deduction is in addition to the Tax Credit. Generally, for any year, an Investor may deduct against taxable income an amount equal to the lesser of the Fair Value of the Shares transferred and such Investor's remaining RRSP deduction limit after deducting other RRSP contributions made for the year. An Investor's RRSP deduction limit for a year is generally defined in the Federal Tax Act to be the aggregate of the following amounts:

- (a) the Investor's unused RRSP deduction limit from the preceding year (essentially the RRSP deduction limit for that year less the RRSP contribution deducted);
- (b) the lesser of 18% of the Investor's earned income for the preceding year and the RRSP dollar limit (\$21,000 for 2009 and \$22,000 for 2010); and
- (c) certain pension plan adjustments.

An Investor's unused RRSP deduction limit for 1991 and subsequent years can be carried forward to increase the amount of the Investor's RRSP deduction limit subject to the adjustment discussed above for a subsequent year.

Contributions made to an RRSP on or before the day that is 60 days after December 31 can be deducted against taxable income, subject to the limitations discussed above, for the year in which the contribution is made, or the preceding year.

### ***Shares held by a RRIF***

An Investor can transfer his or her Shares to an RRIF. The transfer of Shares from an individual to an RRIF under which the individual or the Spouse is the Annuitant will result in the disposition of the Shares and have the same tax consequences described above in relation to transfers of Shares by an individual to an RRSP. The transfer of the Shares to the RRIF by an Investor will not impact on the ability to claim Tax Credits which will be available to the Individual Tax Credit Recipient on the same basis as if the Shares were not transferred to the RRIF.

There is no tax deduction available for a contribution of Shares to an RRIF. The Federal Tax Act requires that a minimum percentage of the assets of an RRIF be withdrawn in each year. An individual must plan such RRIF's investments in such a way as to allow withdrawal of the required amount in each year. Because of the restrictions placed on the redemption of Shares by us, an Annuitant of an RRIF may be unable to withdraw the required amount in cash. If sufficient liquid assets are not available in the RRIF to make the necessary annual withdrawal, then a portion of the Shares may have to be withdrawn in lieu of cash.

### *LIFs, LIRAs and LRIFs*

The discussion set out above in relation to RRSPs will also apply to a locked-in retirement account ("**LIRA**") which qualifies as an RRSP for income tax purposes. The discussion provided above in relation to RRIFs will also apply to a life income fund ("**LIF**") and a locked-in retirement income fund ("**LRIF**") which qualifies as an RRIF for income tax purposes. A participant in an LIF, LRIF or LIRA should verify whether his or her plan qualifies as an RRIF or an RRSP for income tax purposes.

## ORGANIZATION AND MANAGEMENT DETAILS OF ADVANTAGE

### Officers and Directors of Advantage

The following table discloses the principal occupations and related experience of Advantage's Directors and Officers over the past five years:

<b>Name, Municipality of Residence and Position(s) with Advantage</b>	<b>Principal occupation for Past Five Years</b>	<b>Date(s) Served as a Director From<sup>(7)</sup></b>	<b>Number and percentage of Shares held as of June 4, 2009<sup>(6)</sup></b>
<b>Dr. Donald B. Rix<sup>(1)(3)</sup></b> Vancouver, B.C. <i>Chairman of the Board and Director</i>	Chairman of MDS Metro Laboratory Services from 1994 to present; founder and Chairman of Cantest Ltd.; Chairman of Lions Capital from February 2003 to present.	February 24, 2003	5,518 Advantage Venture Shares, or 0.09% of all Advantage Venture Shares  1,000 Advantage Growth Fund Shares, or 0.03% of all Advantage Growth Fund Shares
<b>Frank Holler<sup>(1)(5)</sup></b> West Vancouver, B.C. <i>Chief Executive Officer and Director</i>	Chief Executive Officer of Advantage <sup>(7)</sup> and Lions Capital from April 2004 to present; President and Chief Executive Officer of Ponderosa Capital Inc. from July 2003 to present; Chairman and Chief Executive Officer of Prime Trials Inc. from September 2003 to February 2006.	February 24, 2003	10,965 Advantage Venture Shares, or 0.17% of all Advantage Venture Shares  13,562 Advantage Growth Fund Shares, or 0.47% of all Advantage Growth Fund Shares
<b>Jim Heppell</b> North Vancouver, B.C. <i>President</i>	President of Advantage <sup>(7)</sup> from April 2003 to present; President and Chief Executive Officer of Catalyst Corporate Finance Lawyers from April 1992 to December 2005; and President of Lions Capital from April 2003 to present.	April 1, 2003 to March 25, 2004	8,128 Advantage Venture Shares <sup>(7)</sup> , or 0.13% of all Advantage Venture Shares  9,399 Advantage Growth Fund Shares, or 0.33% of all Advantage Growth Fund Shares
<b>David Raffa</b> North Vancouver, B.C. <i>Chief Operating Officer</i>	Chief Operating Officer of Advantage <sup>(7)</sup> and Lions Capital from January 2004 to present; Partner of Catalyst Corporate Finance Lawyers from January 1999 to December 2005; and President of Valeo Practices Ltd. from January 2002 to present.	N/A	4,099 Advantage Venture Shares <sup>(7)</sup> , or 0.06% of all Advantage Venture Shares  1,500 Advantage Growth Fund Shares, or 0.05% of all Advantage Growth Fund Shares
<b>Tanner Philp</b> Vancouver, B.C. <i>Chief Financial Officer</i>	Chief Financial Officer of Advantage <sup>(7)</sup> and Lions Capital from September 1, 2004 to present; Consultant from October 2002 to August 2004; and Field Manager with KPMG London (UK) from September 2001 to September 2002.	N/A	800 Advantage Growth Fund Shares, or 0.03% of all Advantage Growth Fund Shares

Name, Municipality of Residence and Position(s) with Advantage	Principal occupation for Past Five Years	Date(s) Served as a Director From <sup>(7)</sup>	Number and percentage of Shares held as of June 4, 2009 <sup>(6)</sup>
<b>Dr. Avtar Dhillon</b> <sup>(2)(3)(4)(5)</sup> Vancouver, B.C. <i>Director</i>	President and Chief Executive Officer of Inovio Biomedical Corporation from October 2001 to present.	May 14, 2003	2,610 Advantage Venture Shares, or 0.04% of all Advantage Venture Shares
<b>David Shore</b> <sup>(2)(3)(4)</sup> Lions Bay, B.C. <i>Director</i>	Partner of Stirling Mercantile Corporation from November 2003 to present; founder and director of Galvin Corporate Finance until November 2003.	June 17, 2004	None
<b>Brad Bennett</b> <sup>(2)(4)(5)</sup> Kelowna, B.C. <i>Director</i>	President of McIntosh Properties Ltd. from May 1990 to present.	June 29, 2006	3,467 Advantage Growth Fund Shares, or 0.12% of all Advantage Growth Fund Shares
<b>Ambrose Hong</b> Richmond, B.C. <i>Secretary</i>	Controller, Advantage <sup>(7)</sup> , June 2006 to present; Controller, SitL Holdings Inc., January 2004 to May 2006; Controller, SitL Technologies Inc., August 2000 to December 2003.	N/A	800 Advantage Growth Fund Shares, or 0.03% of all Advantage Growth Fund Shares

- (1) Dr. Donald Rix and Frank Holler are founders and directors of Lions Capital and thus are considered non-Independent Directors.
- (2) Independent Directors.
- (3) Members of Advantage Audit and Valuation Committee.
- (4) Members of Advantage Investment Committee.
- (5) Members of Advantage Nomination and Governance Committee.
- (6) Prior to completion of the Offering.
- (7) The Amalgamation occurred on August 8, 2008. The dates cited includes service with our predecessor company B.C. Advantage Funds (VCC) Ltd.

All of Advantage's Directors hold office until Advantage's next annual general meeting, or unless his office is earlier vacated in accordance with Advantage's Articles, or with the provisions of the Business Corporations Act. As a group, as at June 4, 2009, Advantage Officers and Directors owned, or controlled or directed, directly or indirectly, 31,319 Advantage Venture Shares, or 0.48% of the issued and outstanding Advantage Venture Shares, and 30,528 Advantage Growth Fund Shares, or 1.06% of the issued and outstanding Advantage Growth Fund Shares.

Advantage's Board has appointed an Investment Committee, an Audit and Valuation Committee and a Nomination and Governance Committee and, except as restricted by our Articles, may delegate to those committees (and/or any other committee or committees of the Board which may be duly established and constituted) such of its responsibilities as the Board may from time to time determine to be appropriate.

Advantage's Investment Committee is currently composed of three Directors, all of whom are Independent Directors. Advantage's Audit and Valuation Committee is composed of three Directors, a majority of whom are Independent Directors. Advantage's Nomination and Governance Committee is composed of three Directors, a majority of whom are Independent Directors.

Advantage's Articles provide for the indemnification of Directors and Officers from and against liability and costs in respect of any action or suit brought against them in connection with the execution of their duties of office, subject to certain limitations.

All of Advantage's Directors are required, in accordance with the Business Corporations Act, to act honestly, in good faith and in what they reasonably believe to be in Advantage's best interests.

The following are biographical descriptions of our Directors and Officers.

**Dr. Avtar Dhillon** is the President and Chief Executive Officer of Inovio Biomedical Corporation (AMEX: INO) from September 2001 to present and has been a director of that corporation from October 2001 to present. Prior to joining Inovio, Dr. Dhillon was a Vice President of MDS Capital Corp. MDS Capital Corp. is one of North America's leading healthcare venture capital organizations. Dr. Dhillon is a member of the College of Physicians and Surgeons, B.C. Medical Association, Canadian Medical Association and College of Family Practitioners. Dr.

Dhillon has a Bachelor of Science, honours degree in physiology and M.D. degree from the University of British Columbia.

**David Shore** is a partner of Stirling Mercantile Corporation, a Vancouver based investment bank established in 1998. Mr. Shore's focus is to help emerging technology companies with the process of raising equity and debt financings. Mr. Shore's background combines the establishment of IT-related entrepreneurial ventures with consulting for early stage financing and mergers and acquisitions (M&A). Mr. Shore and his partners pioneered short-term computer rentals in the early 80s and guided that firm to establish leading verticals in CAD software and custom Unix-based accounting solutions. In the mid 1990's, he co-founded Canada's leading barter network and franchised the concept across Canada. Mr. Shore's M&A activity, most recently with CIBC Investment Banking in Vancouver, included non-asset backed debt and equity financings and M&A intermediary services to mid-market firms. Today, he focuses on helping early stage high-growth companies prepare and execute financing plans and has a successful track record. Mr. Shore is a director of Compatriot Ventures, is a member of the Advanced Systems Institute Business Advisory Board, has been a mentor for Telus New Ventures BC since its inception in 2001 and sits on the advisory board of several local early-stage companies.

**Brad Bennett** is the President of McIntosh Properties Ltd., a real estate investment and holding company based in Kelowna, from May 1990 to present. Mr. Bennett serves as a director of a number of successful private operating companies. He serves on the board of the University of British Columbia as a member and Chair of the board and is past Chair of the board of governors of Okanagan University College. Mr. Bennett is a past director of the Okanagan University College Foundation. He also currently serves as Chair of the UBC Okanagan Regional Advisory Council, is past Chairman of the Kelowna General Hospital Foundation, past Co-Chair of the Okanagan Partnership-Cluster Competitiveness Strategy, and is Past Chair of the City of Kelowna's Building Committee for development of the Rotary Centre for The Arts. Mr. Bennett also serves as a director of the Premier's Technology Council.

**Dr. Donald Rix** is an active member of the biotechnology industry, having served on the boards of many organizations, including various biotechnology and technology companies. In June 2005, Dr. Rix received the Lifetime Leadership and Achievement Award from the BC Biotechnology Alliance for his contributions to that sector. Dr. Rix is one of the founders and currently the Chairman of MDS Metro Laboratory Services, the largest independent community medical laboratory in British Columbia. He is also one of the owners and founders and currently Chairman of Cantest Ltd. that performs testing in soils, water waste work, pesticide analysis in food products, and air quality testing. He serves on the Premier's Technology Council, is Past Chair of the BC Innovation Council, Past Chair of Genome BC and is Chairman of Prionet Canada. He is on the boards of Perceptronix Inc. and Resverlogix Inc., and is active in the Angel Network in British Columbia and nationwide. Dr. Rix received a Bachelor of Arts degree from the University of Western Ontario in 1953 and his MD degree in 1957 and a Fellowship in General Pathology (FRCP) Canada in 1972. He was granted an honorary Diploma of Technology from the British Columbia Institute of Technology in 1985, the degree of Doctor of Science honoris causa from the University of Western Ontario in 1998, an Honorary Doctor of Science from Simon Fraser University in 2004, and a Doctorate of Laws from the University of British Columbia in May 2006. Dr. Rix received the Queen's Golden Jubilee Award in November of 2002. In June of 2004 Dr. Rix was awarded the Order of British Columbia for outstanding achievement, in 2005 received the Ernst & Young Entrepreneur of the Year in Health Sciences and in 2006 Dr. Rix was inducted into the Business Laureates of British Columbia Hall of Fame. In 2007 Dr. Rix was awarded a Member of the Order of Canada.

**Frank Holler** is the Chief Executive Officer and a Fund Manager of Advantage. He is also the President and Chief Executive Officer of Ponderosa Capital Inc., a private Vancouver-based merchant banking firm that invests in and provides financing, M&A and management advisory services to companies in the healthcare industry. Frank Holler previously served as Chairman and Chief Executive Officer of Prime Trials Inc., a Vancouver-based private company that provides specialty contract research services to the life science industry; President and Chief Executive Officer of Xenon Pharmaceuticals Inc., a genomics-based drug discovery company, from February 1999 to June 2003; President & Chief Executive Officer of ID Biomedical Corporation, a biotechnology company, from March 1991 to November 1998; and a founding director of Angiotech Pharmaceuticals, a TSX/NASDAQ listed biotechnology company (TSX: ANP/ NASDAQ: ANPI), from 1992 to 1997. Through Ponderosa Capital, Mr. Holler presently serves as Chairman of Protox Therapeutics Inc., Chairman of Emerillon Therapeutics Inc., Chairman of BIRC Corporation, a director of Xenon Pharmaceuticals Inc., a director of Cantest Ltd., a director of Allon Therapeutics Inc. and a director of Providence Healthcare. He was previously a director of the British Columbia Biotechnology Association from 1992 to 1998. Prior to working in biotechnology and healthcare, Mr. Holler was an investment banker with Merrill Lynch Canada and CIBC World Markets.

**Jim Heppell** is the President and a Fund Manager of Advantage. During his career, Mr. Heppell has concentrated on building life science companies and has participated in the development of a number of life science companies, including Cardiome Pharmaceuticals Inc. (NASDAQ: CRME), Inovio Biomedical Corporation (AMEX:INO), Immgenics Inc. (now Abgenix, Inc. (NASDAQ:ABGX)), Protox Therapeutics Inc. (TSX-V: PRX), Response Biomedical Ltd. (TSX-V: RBM), Urodynamix Technologies Ltd. (TSX-V: URO), and Sirius Genomics. Mr. Heppell is currently Co-Chairman of the board of Inovio Biomedical Corporation in San Diego and a director of Protox Therapeutics, Sirius Genomics, Pherotech International and Urodynamix Technologies.

Mr. Heppell has a Bachelor of Science degree in Microbiology and a law degree from the University of British Columbia. After being called to the Bar, Mr. Heppell worked for six years with Fasken Martineau DuMoulin LLP, during which time he was seconded to the BCSC for six months. Mr. Heppell then became a senior partner and President and Chief Executive Officer of Catalyst Corporate Finance Lawyers of Vancouver, British Columbia. Mr. Heppell's role at Catalyst included providing high-level strategic advice on financings, mergers and acquisitions and corporate reorganizations. He is a past member of the Securities Policy Advisory Committee to the BCSC and is a Past-Chairman of the Securities Section of the Canadian Bar Association (B.C. Branch). He is also a co-founder of Gold Medal Plates, an organization working with the Canadian Olympic Committee and the Vancouver 2010 Organizing Committee to raise money for Canadian athletes training for the Olympics.

Over the years, Mr. Heppell has written a number of articles and co-ordinated and taught numerous courses on corporate finance issues, such as raising money from angels, understanding venture capital term sheets, building boards, launching life science and technology companies, practicing blue chip corporate governance, carrying out cross-border financings and listing on NASDAQ. He writes a regular column for Business in Vancouver on the Business of Biotechnology. The Vancouver Sun has recognized Mr. Heppell as one of the top 15 "Up and Comers" in British Columbia.

**David Raffa** is the Chief Operating Officer and a Fund Manager of Advantage. He is also the principal of Valeo Corporate Finance. Valeo is a company that specializes in providing corporate finance and governance advice. Valeo provides advice to companies on all matters relating to financing companies, mergers and acquisitions and building and operating boards of directors and advisors. Through Valeo, Mr. Raffa works closely with boards on a variety of matters including strategic planning, financing and mergers and acquisitions. Mr. Raffa has also served to mediate disputes at the board level and between boards and senior management.

Mr. Raffa previously held the position of senior partner with Catalyst Corporate Finance Lawyers, a corporate finance law firm that specialized in advising technology companies. Mr. Raffa's role included providing high level strategic advice on financings, mergers and acquisitions and corporate reorganizations.

Mr. Raffa has published and lectured frequently on launching and growing technology companies. Venues that Mr. Raffa has appeared at include UBC, SFU, UVic and a number of the local technology associations and financing forums including Acetech, BCTIA, VIATeC, MISTIC and the Angel Forum. Mr. Raffa has appeared in, or been quoted in, numerous print, radio and television media both locally and nationally. Mr. Raffa is also co-author of a best selling book entitled "*Everything I Needed to Know About Business, I Learned From a Canadian*" (Wiley, 2005).

Mr. Raffa was a member of the board of the BCTIA, and was formerly Chairman of its Capital and Investment Committee and Advocacy Committee. Mr. Raffa has been an advisor to the BCSC and TSX Venture Exchange in respect of issues material to the technology industry. Mr. Raffa also served as Chairman of Science World's Equity Committee.

Mr. Raffa currently serves as a director, officer or advisory board member of a number of private and public technology companies, including companies listed on the TSX and the TSX Venture Exchange, and is commonly asked to serve as an operating Chairman. As Chairman of ActiveState Corporation, Mr. Raffa helped lead its sale to Sophos PLC of the UK for \$32 million in September 2003. As co-founder and Vice President, Corporate Finance of Amorfix Life Sciences (TSX-V: AMF), Mr. Raffa helped lead the company from inception to IPO in 2005. As a director of Parasun Technologies, Mr. Raffa helped lead a balance sheet restructuring, a re-financing and culminated his engagement by co-leading the sale of the company in 2007 to Uniserve Corporation (TSX-V: USS) for over \$14 million.

Mr. Raffa has over 20 years experience in advising technology companies. In May 2004, Mr. Raffa was named as one of British Columbia's top 25 "New Elite" innovators in the technology industry by BC Business magazine.

**Tanner Philp** is the Chief Financial Officer and a Fund Manager of Advantage. Mr. Philp specializes in working with early stage public and private companies on all aspects of the financing process, including business plan development and evaluation, deal structuring, regulatory compliance, exchange listing, capital sourcing, M&A and corporate partnering. Mr. Philp is a director of Vigil Health Solutions Inc. (TSX-V: VGL), Secretary of Urodynamix Technologies Inc. (TSX-V: URO), a director of Voice Mobility International Inc. (TSX-V: VMY), Secretary of Reward Stream Inc., Chairman of the board of Conasys Consumer Assurance Systems Inc. and an advisor to a number of early stage technology companies where he works actively to bridge the early-stage financing gap, and to maximize value for early-stage companies and professional investors alike.

Mr. Philp is a Chartered Accountant who began his career working with fund management and asset management firms at KPMG Vancouver. He then went to work for KPMG London (UK) where he specialized in providing assurance, consulting and corporate finance services to asset management and private equity firms. Mr. Philp has a Bachelor of Business Administration concentrated in Finance from Simon Fraser University. In the very early stages of his career, Mr. Philp also worked for a short time at Phillips, Hager & North where he first fostered his desire to finance and build emerging companies.

In addition to his work at Advantage and Lions Capital, Mr. Philp is a final jury participant in the New Ventures BC competition, a seminar leader for the New Ventures BC competition on early stage financing, and a mentor in the BC Excels medical technology forum.

**Ray Matthews** is a Vice President of Sales and Marketing of Advantage. Mr. Matthews is a former educator, Rotary Foundation Scholar, author and entrepreneur, and is a marketing, business development and sales specialist.

In 2000, Mr. Matthews co-founded and led the marketing of Qwest, a boutique life science venture capital fund. In addition to assisting in the fund raising, Mr. Matthews developed a strategic relationship between Qwest and Burrill and Company, a life science merchant bank located in San Francisco, California, with over US \$400,000,000 under management.

**Ambrose Hong** is Corporate Secretary of Advantage. Mr. Hong has over 10 years of accounting experience and has held numerous accounting positions. He has diversified accounting knowledge in fund management, manufacturing, technology, and land development. Mr. Hong is currently pursuing his CGA designation.

### **Manager of Advantage**

Advantage is managed by Lions Capital, which was incorporated under the predecessor to the Business Corporations Act on February 20, 2003 under the name 664339 B.C. Ltd. and subsequently changed its name to Mentor Capital Inc. on April 3, 2003. Mentor Capital Inc. further changed its name to Lions Capital Corp. on July 16, 2006. Its head office is at 1280 – 885 West Georgia Street, Vancouver, British Columbia, V6C 3E8, and its registered and records office is at 2900-550 Burrard Street, Vancouver, British Columbia, V6C 0A3. Lions Capital can be contacted by phone at 604-688-6877 or by email at [ahong@lionscapital.com](mailto:ahong@lionscapital.com).

Lions Capital has been retained pursuant to the Management Agreement to provide all services necessary for the overall day-to-day management of Advantage. Whenever required by Advantage, Lions Capital will also provide Additional Services to Advantage. For the Management Services, Advantage has agreed to pay to Lions Capital an annual management fee. If Lions Capital provides Additional Services at the request of Advantage, additional fees will be paid. Please refer to "Fees and Expenses – Management Fees".

As a practical matter, on a day-to-day basis, all of our Funds are managed by Jim Heppell, Frank Holler, David Raffa and Tanner Philp.

### **Duties and Services to be Provided by the Manager**

Pursuant to the Management Agreement, Advantage has engaged Lions Capital on an exclusive basis to provide all services necessary for the overall day-to-day management of Advantage and the services necessary to invest Advantage's funds and manage those investments, including:

1. Overseeing the maintenance of all books and records of any kind whatsoever including, without limitation, electronic records.

2. Managing accounts including, without limitation, having responsibility for cash reserves, bank accounts and the Investment Protection Account.
3. Overseeing the administrative portion of Advantage including overseeing the payment of all expenses of any kind whatsoever including, without limitation, any salaries, consulting and professional fees, sales and income taxes, regulatory fees and expenses and other financial obligations of any kind whatsoever.
4. Providing the personnel to serve as the senior Officers and principal management team.
5. Overseeing the maintenance of Advantage's office and infrastructure.
6. Facilitating the adoption of, and overseeing the implementation of, operational policies and procedures including, without limitation, investment policies, valuation and audit policies and conflicts of interest policies.
7. Managing all of Advantage's marketing activities including, without limitation, activities to secure Investors and investment opportunities.
8. Liaising, instructing and managing professional advisors including, without limitation, legal counsel, accounting and tax advisors, and other advisors of any kind whatsoever.
9. Liaising with and managing Advantage's relationship with all governmental and regulatory bodies having jurisdiction over Advantage including, without limitation, CRA, the SBVCA Administrator, the BCSC and the British Columbia Registrar of Companies.
10. Assisting Advantage's Board in:
  - calling and holding Board meetings;
  - securing Board members and Mentors;
  - appointing and managing Board committees;
  - preparing and providing for reports and other materials to the Board; and
  - adopting Board and committee policies and procedures.
11. Liaising with and managing relationships with Advantage's financiers and sales agents including, without limitation, finders, financial planners, mutual fund dealers, investment bankers, brokers and other financial services personnel.
12. Liaising with and managing relationships with shareholders including, without limitation, maintaining share registers, managing redemptions and exchanges, shareholder communications and shareholders meetings.
13. Finding, securing, managing and divesting investments including, without limitation:
  - conducting due diligence on potential investments and divestitures;
  - assisting Advantage in valuing investments from time to time; and
  - negotiating, structuring and documenting investments and divestitures.
14. Liaising with and managing relationships with investee companies including, without limitation:
  - advising and helping build Portfolio Companies;
  - facilitating the reporting provided by investee companies to Advantage, whether directly to Advantage or indirectly to Advantage's representatives on the Board of the investee company, including, without limitation, financial reporting;

- assisting in securing additional financing and merger and acquisition opportunities for investee companies;
  - assisting in securing liquidity events for investee companies; and
  - securing mentors, directors, officers, advisors and consultants for investee companies.
15. Causing Advantage to provide such financial reporting as we may wish to provide including, without limitation, reporting on performance.
  16. Managing such additional administrative duties as may, from time to time, be agreed to by Advantage and Lions Capital.

In addition, the Management Agreement provides that Lions Capital will, at Advantage's request, provide Additional Services for which Lions Capital may charge Advantage additional fees. Please refer to "Fees and Expenses – Operating Expenses".

In order to fully provide the Management Services to us, Lions Capital will be required to retain, from time to time, Service Providers, which may include, without limitation, professional services providers, employees, agents, consultants or advisors, who may or may not be Affiliates of Advantage or Lions Capital, to assist in providing and to supplement the provision of the Management Services. Please refer to "Fees and Expenses – Operating Expenses". For example, Advantage has engaged IAS as its Registrar and Transfer Agent and to provide certain additional administrative services.

The Directors and Officers (the "**Members of Our Team**") who serve as directors, officers or advisors of Advantage's Portfolio Companies have certain obligations to such Portfolio Companies. The Members of Our Team may also have similar obligations to Advantage. In addition to any procedures and remedies set out in applicable corporate legislation, conflicts, if any, will be dealt with in accordance with our Conflicts of Interest Policy. The Conflicts of Interests Policy provides that, among other things, in any situation where a Member of Our Team has a direct or indirect interest that may be considered material, whether it be of a personal nature or as a result of that person's affiliation with Advantage, that Member of Our Team will be required to disclose the nature of that interest to the Board and abstain from voting on any decisions regarding the matter for which the conflict arose.

#### **Details of the Advantage Management Agreement**

The Management Agreement has an indefinite term, unless terminated in accordance with its provisions. The Management Agreement may be terminated by:

1. Lions Capital for any reason upon giving Advantage 90 days advance written notice; or
2. Advantage in the event that Lions Capital is in material default of its obligations under the terms of the Management Agreement, provided that Lions Capital has been given written notice of such default and has not cured such default within 60 days of receiving such notice.

Advantage is obligated to pay Lions Capital on termination: (a) an amount equal to the expenses paid to Lions Capital for the fiscal year preceding the termination; (b) provided Lions Capital did not act in a grossly negligent manner, management fees for the following two years from the date of termination, as such fees would have been paid as provided for in the Management Agreement; and (c) only upon the actual liquidation of Advantage investments subsequent to termination, equity allocations equal to an 80% share of Lions Capital's equity participation in Advantage pursuant to the Management Agreement that is actually realized on each investment, with 20% going to the new manager.

Lions Capital will be entitled to retain its Equity Participation Shares as of the date of termination of the Management Agreement. The Equity Participation Shares will be exchangeable if the Investment Objective and Exchangeability Objective are met on the investments which were initiated by the Fund prior to termination.

Lions Capital owns all 6,000,000 outstanding Equity Participation Shares. The Equity Participation Shares have no voting rights, except that the holders of the Equity Participation Shares have the right to attend and vote at general

meetings of our shareholders to elect such number of our Directors as is equal to not less than 20% of the total number of Directors that comprise our Board, may receive dividends at the discretion of the Board, and are contingently exchangeable on a one-for-one basis with any other class of Shares.

Under the Management Agreement, Lions Capital is entitled to a 20% equity participation in Advantage (the "**Equity Participation**"). Lions Capital's ability to realize on the value of that Equity Participation is subject to certain conditions in the Management Agreement.

The Equity Participation of Lions Capital in respect of a particular investment is equal to 20% of the cumulative gain realized on the liquidation of the investment. The cumulative gain represents the sum of any dividends, income and other return of capital received by the Company on the investment, plus proceeds received on liquidation, less the amount of capital the Company invested.

Lions Capital can only receive its Equity Participation in respect of an investment if the "**Investment Objective**" and the "**Exchangeability Objective**", as explained below, have both been met.

The Investment Objective has been met when an individual investment in a Fund has been liquidated such that the annual internal rate of return on the entire investment, based only on realized gains and gross income, from the investment since its acquisition equals or exceeds 10% per year. (The Advantage Growth Fund has not been managed by Lions Capital since inception, so the calculation for that Fund is different – the return will be calculated since the later of (a) the investment's acquisition; or (b) November 20, 2007, the date of formal board approval of Lions Capital's agreement to manage that Fund (the applicable date being the "Start Date").)

The Exchangeability Objective has been met when the total realized gains, unrealized gains and net investment income from the portfolio of investments in a Fund have generated a return greater than 8% per year compounded annually measured from the inception of that Fund. (As noted above, the Advantage Growth Fund has not been managed by Lions Capital since inception, so the calculation for that Fund is different – the return of the portfolio of investments will be calculated since the Start Date (as defined above).)

Equity Participation funds payable by the Company to Lions Capital may be paid in various ways, including by way of: a) a direct cash payment by the Company to Lions Capital; b) the redemption, retraction or purchase of Class Z Shares held by Lions Capital by the Company; c) a capital or other dividend paid by the Company to Lions Capital on its Class Z Shares; d) the exchange of Lions Capital's Class Z Shares for Shares of another class, and, if applicable, the subsequent redemption, retraction or purchase of those other Shares by the Company, or the payment of a capital or other dividend on those other Shares; or e) such other mechanism as Lions Capital may reasonably request. For the financial year ended December 31, 2008, the Company paid performance fees to Lions Capital in the amount of \$40,884. At December 31, 2008 performance fees in the amount of \$Nil were accruing and payable to Lions Capital.

Prior to the achievement of the Exchangeability Objective, the Equity Participation Shares will have value (if an individual investment has met the Investment Objective) and, as such, may be included in the calculation of Pricing Net Asset Value per Share. This interim situation can occur prior to the Equity Participation Shares being exchangeable and therefore having "cash value" for Lions Capital.

Advantage is required under the Management Agreement to indemnify Lions Capital and, if applicable, its officers, directors and employees for any liability that may arise in connection with the provision of services to Advantage, provided that Advantage is not required to indemnify these parties for any claims that result from their gross negligence, wilful misconduct or fraud.

Advantage's Articles prohibit Advantage from paying fees or remuneration of any kind to any of its shareholders, Directors or Officers, or to any Affiliate or Associate of those persons except as permitted by a Special Resolution at least annually. Further the SBVCA provides that Advantage is prohibited from paying fees or remuneration of any kind to any person who controls Advantage directly or indirectly, or who belongs to a group that controls Advantage directly or indirectly, unless such fees or remuneration have been specifically approved by a Special Resolution. The regulations to the SBVCA provide that no shareholder of a VCC is permitted to vote on a Special Resolution approving payment to themselves or to their Associates or Affiliates. If Advantage fails to pass any of the requisite annual Special Resolutions, those fees and other remuneration provided for in the Management Agreement will continue to accrue, with interest, until the matter is resolved.

### **Officers and Directors of the Manager of Advantage**

The primary responsibilities of the executive officers of Lions Capital are assisting Advantage in raising capital, sourcing and identifying investment opportunities, performing due diligence investigations on prospective Portfolio Companies, structuring and negotiating the terms upon which investments in prospective Portfolio Companies are to be made, monitoring and increasing the shareholder value of Advantage's investments after they have been made and existing investments.

The following persons are the directors and executive officers of Lions Capital. For details regarding their respective principal occupations within the preceding five years, see "Organization and Management Details of Advantage – Officers and Directors of Advantage".

<b><u>Name and Province of Residence</u></b>	<b><u>Position(s) with Lions Capital</u></b>
Dr. Donald Rix, British Columbia, Canada	Chairman and Director
Frank Holler, British Columbia, Canada	Chief Executive Officer and Director
Jim Heppell British Columbia, Canada	President and Director
David Raffa British Columbia, Canada	Chief Operating Officer and Director
Tanner Philp British Columbia, Canada	Chief Financial Officer

### **Conflicts of Interest**

Lions Capital, our Fund Managers, Officers, Directors or Mentors may be, before we invest in Portfolio Companies or subsequent to our investment, appointed directors, officers or consultants of one or more of our Portfolio Companies. Lions Capital is an investment banking firm and as such, may provide investment banking services to one or more of our Portfolio Companies and receive fees in respect of same. Our Directors and Officers and the directors and officers of Lions Capital may act as Mentors for our Portfolio Companies and may receive compensation for their services provided directly from the Portfolio Company.

We intend to rely partially on our Directors, Officers and Mentors to source investment opportunities for us and to work with our Portfolio Companies to increase their value. They may be compensated in cash or equity by the Portfolio Company for this contribution. As a result, there may be occasions when a Member of Our Team has a direct or indirect interest in a potential Portfolio Company, or is otherwise involved with the potential Portfolio Company.

In addition, the Members of Our Team may also have, or may in the future have, interests in other companies, entities or limited partnerships which are presently, or may in the future, be actively engaged in like or similar businesses as ours or companies, entities or limited partnerships in which we invest and may enter into agreements with such companies, entities or limited partnerships. The Members of Our Team will not be limited or affected in their ability to carry on other business ventures for their own accounts and for the accounts of others, and may engage in or hold an interest in any other business, venture, investment or activity as they consider appropriate, whether or not similar to or competitive, directly or indirectly, with our business or with the business of our Portfolio Companies.

The Members of Our Team will not be required to offer or make available to us or you, our Investors, any property or other business opportunity which they, or any of their Affiliates or Associates, may determine to acquire or engage in for their own account and neither the acquisition nor the pursuit of any such other property, business, venture, investment or activity will be wrongful, even if competitive with our business or the business of our Portfolio Companies. Your purchase of Offered Shares will not carry with it the right for either us or you to invest in any other venture or any other business that the Members of Our Team are involved in, or to any profit therefrom

or to any interest therein. Further, the Members of Our Team may receive fees, equity and other compensation for services provided directly to our Portfolio Companies, including consulting or advising fees, due diligence fees, directors' fees, shares, share purchase options and corporate finance or investment banking fees which, so long as our Conflicts of Interest Policy is followed, they will be entitled to retain.

For the purposes of our Conflicts of Interest Policy, Members of Our Team includes Advantage's Directors and Officers. The services of Lions Capital, the Members of Our Team, Mentors, Fund Managers and of the directors, officers and employees of Lions Capital are not exclusive to Advantage and they may provide similar services to other parties, including other VCCs or venture capital funds engaged in a similar business to Advantage. Further, there may be occasions when one of the Members of Our Team has a substantive direct or indirect equity stake in a potential Portfolio Company, or is otherwise involved with the potential Portfolio Company.

As Advantage intends to operate to the highest standards of corporate governance, Advantage has adopted the following policy for dealing with conflicts of interest:

1. A Member of Our Team that has a material interest in a potential Portfolio Company (the "**Conflicted Member**"), must disclose the nature of that interest to Lions Capital, the Investment Committee or the Board, as applicable, before that entity considers the opportunity to invest in the potential Portfolio Company. Whether an interest is material will be determined by the size of the interest in relation to the circumstances of the Member of Our Team.
2. If the Conflicted Member is a Fund Manager with respect to a potential investment, the investment must be presented to the Investment Committee, and the investment will not proceed unless the Investment Committee approves the investment.
3. If the Conflicted Member is a member of the Investment Committee considering the potential Portfolio Company, he or she will be excluded from discussion of, and voting on, whether Advantage should invest in the potential Portfolio Company, he or she will remove himself or herself from the room, and Advantage will not proceed with the investment unless the Investment Committee approves the investment, with the Conflicted Member abstaining from voting. At the request of the Investment Committee, the Conflicted Member will provide information regarding the Portfolio Company prior to removing himself or herself from the room.
4. If a majority of the members of the Investment Committee are Conflicted Members with respect to a potential investment, the investment must be presented to the Board, and the investment will not proceed unless the Board approves the investment, with all Conflicted Members abstaining from discussion of, or voting on, whether Advantage should invest in the potential Portfolio Company. If a majority of the members of the Board are Conflicted Members, Advantage will not proceed with the investment.
5. Under no circumstances will a Member of Our Team receive a substantial interest (either as an equity interest or an interest in a professional services contract) in one of Advantage's Portfolio Companies on or about the same time as Advantage, or in any way tied to Advantage's investment in the Portfolio Company, other than receiving reasonable compensation for acting as an outside director or advisory board member for the Portfolio Company, such compensation not to be greater than the amount it pays to its other outside directors.
6. Under no circumstances will a Member of Our Team buy or sell securities of one of Advantage's Portfolio Companies, without the written consent of Advantage's Chief Financial Officer, from the time Lions Capital announces to the Members of Our Team that it is considering investing in the Portfolio Company until Advantage has liquidated the interest in the Portfolio Company, other than by making an investment into the Portfolio Company at the same time and on no less favourable terms than Advantage invests.
7. A Member of Our Team who obtains the written consent of Advantage's Chief Financial Officer and acquires shares or receives a substantive interest in one of Advantage's Portfolio Companies subsequent to Lions Capital announcing that it is considering investing in the Portfolio Company will disclose same to the Board and will abstain from discussion of, or voting on, any subsequent decisions regarding that Portfolio Company.

Pursuant to the Management Agreement, Lions Capital has agreed to comply with this Conflicts of Interest Policy. In accordance with the Business Corporations Act, Advantage's Directors and Officers will also be required to act honestly, in good faith and in what they reasonably believe to be in Advantage's best interests.

In the course of our business, one of our Funds may sell a Portfolio Company investment to another of our Funds, to a fund managed by Lions Capital and/or our Fund Managers, or to another corporate entity related to Lions Capital and/or our Fund Managers.

For additional information relating to conflicts of interest, please refer to "Interests of Management and Others in Material Transactions".

The position of the Canadian Securities Administrators is that, in the case of a conflict with other duties, a director's or adviser's first responsibility regarding a reporting issuer's confidential information is to the reporting issuer on whose board the director serves, or to which the adviser provides advice.

### **Auditor**

The auditor of Advantage is KPMG LLP at Suite 900, 777 Dunsmuir Street, Vancouver, British Columbia, V7Y 1K3.

### **Transfer Agent and Registrar**

The registrar of Advantage is IAS at Suite 300 – 350 Bay Street, Toronto, Ontario, M5H 2S6.

### **Promoter**

Lions Capital of 1280 – 885 West Georgia Street, Vancouver, British Columbia, V6C 3E8 is Advantage's promoter. Lions Capital owns or controls, directly or indirectly, no Shares of Advantage. Lions Capital, in its capacity as the manager, will receive fees and reimbursement of certain expenses pursuant to the Management Agreement. See "Organization and Management Details of Advantage – Details of the Advantage Management Agreement" and "Fees and Expenses – Management Fees".

## **CALCULATION OF NET ASSETS**

### **Calculation of Net Assets**

The following is our Valuation Methodology, which has been prepared by our Audit and Valuation Committee and approved by our Board. Our Board may, with the input of our Audit and Valuation Committee, revise our Valuation Methodology from time to time. Our Audit and Valuation Committee consists of three Directors, two of whom are Independent Directors.

### ***Net Assets Per Share***

Net Assets per Share is calculated by subtracting the aggregate amount of liabilities from the aggregate of assets, divided by the number of Shares of that Fund then issued and outstanding, including an estimate of the Equity Participation of Lions Capital, calculated as follows:

- (a) the Fair Value of:
  - (i) current assets;
  - (ii) investments in Portfolio Companies for which a published market exists; and
  - (iii) investments in Portfolio Companies for which no published market exists; plus
- (b) the fair value of any other assets of the Fund; less
- (c) the total liabilities of the Fund at that date.

Advantage is subject to taxation as a single corporate entity and therefore is required to annually file an income tax return encompassing all Funds. Notwithstanding this, the value of each of Advantage's classes of Shares is

dependent on the net assets of each respective Fund. Advantage therefore determines the Net Assets per Share of each class as if each Fund had to file a separate income tax return each year.

Advantage has implemented an inter-fund tax transfer policy in order to determine the Net Assets per Share of a respective Fund as if each Fund had to file a separate income tax return. If a Fund has net taxable income in a taxation year and the other Funds have excess current period tax deductions or losses from prior periods available, the Fund will utilize current tax deductions and then losses carried forward to minimize its taxable income. When a Fund utilizes tax attributes of another Fund, the transfer of these tax attributes will be reflected in each Fund's statement of operations within income tax expense or recovery, as appropriate, and in each Fund's net assets as an inter-fund receivable or payable. Advantage will take this into account in determining the Net Assets per Share of each of the Funds each quarter by adding or subtracting, as the case may be, an amount equal to the total tax deductions utilized or given up during the quarter multiplied by the applicable tax rate (excluding any potential refund of tax resulting from the payment of dividends, which will be recorded when realized).

In addition, Advantage will take into account the net future income tax asset or liability of each Fund in determining the Net Assets per Share of the Fund at the end of each quarter. The net future income tax asset or liability will be calculated in accordance with GAAP.

With respect to Pricing Net Asset Value per Share (see "Calculation of Pricing Net Asset Value" below) the Funds do not update the calculations of current or future taxes with the weekly determination of Pricing Net Asset Value per Share. Instead, the Funds update the current and future tax calculations used in Pricing Net Asset Value per Share on a quarterly basis. The current and future inter-fund taxes payable and/or receivable are recorded on the first Valuation Date following the last day of each quarter. The current and future inter-fund taxes payable and/or receivable are estimates based on the prior quarter's operating results. These estimates are updated on a quarterly basis only.

#### ***Calculation of Pricing Net Asset Value***

Pricing Net Asset Value per Share is used for Share issue and redemption purposes only and not for accounting purposes. Pricing Net Asset Value is described in the December 31, 2008 audited financial statements of our Funds as "Net Asset Value", consistent with industry practice.

On any Valuation Date, the Pricing Net Asset Value of a Fund is equal to:

- (a) the Net Assets of the Fund at the date; plus
- (b) the unamortized deferred Share issuance costs amount; plus or minus
- (c) an adjustment from bid quotation prices to last sale prices in respect of publicly-traded Portfolio Companies.

Historically, this method of calculating Pricing Net Asset Value of a Fund was consistent with GAAP. However, effective as of January 1, 2004, GAAP no longer permits a Fund to capitalize start-up costs and issue costs and record them as deferred assets on its financial statements. Because issue costs are associated with the raising of capital that a Fund will typically have available for at least five years, it is appropriate, for the purposes of determining the price at which Shares are sold, to spread such costs equally over five years from the date of issuance of the Shares. The five-year term was selected because investors cannot (except in the case of permitted early redemptions) redeem their Shares for at least five years after acquiring them.

The calculation of Pricing Net Asset Value of a Fund incorporates the Fund's current assets and liabilities, which may include estimates. Estimates of working capital balances for the purpose of calculating Pricing Net Asset Value of a Fund may differ from estimates for the purpose of calculating GAAP Net Assets of a Fund due to timing differences. In addition, certain subsequent events may be treated differently for the calculation of Pricing Net Asset Value of a Fund in comparison to GAAP Net Assets of a Fund. Specifically, GAAP requires certain subsequent events to be recorded as at a financial statement date based on information that has arisen at a subsequent date. For the purposes of Pricing Net Asset Value of a Fund, adjustments that are recorded as at the prior financial statement date in accordance with GAAP for subsequent events, are recorded at the next available Valuation Date.

The Pricing Net Asset Value of a Fund will be determined by Lions Capital as of the Valuation Date, and the Audit and Valuation Committee will review and approve the Pricing Net Asset Value of a Fund and the Pricing Net Asset

Value per Share on at least a quarterly basis. The Pricing Net Asset Value per Share of a Fund is determined on each Valuation Date by dividing the Pricing Net Asset Value of the Fund on the date by the total number of Shares of the Fund outstanding on that date. The Pricing Net Asset Value per Advantage Share determined in this manner may not be directly comparable to the pricing methods used by venture capital funds, such as labour sponsored funds, based in other provinces. In practise, the Pricing Net Asset Value per Share is calculated on Friday of each week at 2:00 pm PST and disseminated to The Globe and Mail and Fundata.

As at December 31, 2008, the differences, pertaining to each Fund (other than the Structured Funds, which did not exist as of that date), between Pricing Net Asset Value per Share and Net Assets per Share for GAAP purposes, are summarized in the following reconciliation sourced from note 9(d) of the Funds' audited financial statements, which are incorporated by reference herein:

	Advantage Venture Fund	Advantage Growth Fund	Advantage Life Science Fund I
Net assets in accordance with GAAP as reported	\$41,760,871	\$11,468,123	\$475,540
Add: Unamortized deferred sales and marketing costs	478,381	408,990	-
Unamortized deferred share issuance costs	1,520,790	807,491	-
Adjustment from bid prices to last sale prices	447,899	291,644	21,931
Pricing net asset value	44,207,941	12,976,248	497,471
Common shares outstanding as at December 31, 2008	6,171,536	2,613,281	47,217
Pricing net asset value per common share	7.16	4.97	10.54
Net assets in accordance with GAAP per common share	6.77	4.39	10.07

\*On May 22, 2008, the board of directors of our predecessor company B.C. Advantage Funds (VCC) Ltd. exercised the conversion right contained in the company's Articles with the result that all of the Advantage Technology Shares outstanding in our predecessor company converted, effective June 5, 2008, into Advantage Venture Shares of our predecessor company. Upon completion of the Amalgamation, each shareholder received one of our Advantage Venture Shares for each Advantage Venture Share of our predecessor company held. The Net Assets formerly of the Advantage Technology Fund are now incorporated in the Net Assets of the Advantage Venture Fund. Please refer to "Overview of the Legal Structure of Advantage – History of the Amalgamated Companies".

\*In April 2009, our Board exercised the conversion right contained in our Articles with the result that all of the remaining shares of our Advantage Life Science Fund I were converted to Advantage Venture Shares on April 9, 2009 at an exchange ratio determined on the basis of the relative net assets per share of the Advantage Life Science Fund I and the Advantage Venture Fund on that date.

#### ***Audit and Valuation Committee***

The Pricing Net Asset Value of a Fund will be determined by Lions Capital as of the Valuation Date and the Audit and Valuation Committee will review and approve the Pricing Net Asset Value of the Fund and the Pricing Net Asset Value per Share on at least a quarterly basis.

#### **Valuation Policies and Procedures**

##### ***Valuation of Portfolio Companies for which a Published Market Exists***

On each Valuation Date, the Fair Value of investments in Portfolio Companies for which there exists a published market will be determined on the basis of the prices in such market. For this purpose, a published market means any market on which such securities are traded if the prices are regularly published in a newspaper or business or financial publication of general and regular paid circulation. The Audit and Valuation Committee will approve this valuation on a quarterly basis in connection with its approval of the Pricing Net Asset Value of the Funds and the Pricing Net Asset Value per Share of each of the Funds (see "Calculation of Net Assets – Calculation of Pricing Net Asset Value" above).

### ***Valuation of Portfolio Companies for which no Published Market Exists***

The value of investments in Portfolio Companies for which no published market exists will be determined on the basis of the following policies and procedures which have been established by the Audit and Valuation Committee, and approved by the Board, for determining the Fair Value of such assets, which are currently as follows:

1. Investments (including warrants and options, etc.) will be valued at estimated Fair Value. Warrants and options will be valued using the intrinsic approach to valuation.
2. The estimated Fair Value of investments will be determined on the basis of expected realizable value of the investments on a going concern basis or if they were disposed of in an orderly disposition over a reasonable period of time, as appropriate.
3. Where performance of an entity in which an investment has been made varies adversely from Advantage's expectations, a write-down will be considered and made where appropriate.
4. New investments will normally be carried at cost unless there is a substantial arm's length transaction which establishes a different value or there is a significant change in the investment.
5. If there is a substantial arm's length, bona fide, enforceable offer or transaction with respect to an entity in which Advantage has made an investment, values used in such offer or transaction may be used in the valuation of the investment. Similarly, if there is a valuation prepared by a qualified independent person, such valuation will be given due consideration in assessing the Fair Value of an investment.
6. If the investment is progressing satisfactorily in relation to Advantage's expectations, in determining the Fair Value a reasonable multiple of sustainable earnings, cash flow, sales revenue or discounted cash flow (as considered appropriate) may be used.
7. Short-term liquid debt instruments (having a term to maturity of 365 days or less) are valued at cost with accrued interest or discounts earned included in interest receivable.
8. Convertible securities will generally be valued at their principal amount or their estimated Fair Value as if they had been converted, in each case with such estimated Fair Value being determined on the basis described above. Warrants and options will be valued using the intrinsic approach to valuation.
9. In the unusual event that the valuation policies and procedures described above are not appropriate to the particular Portfolio Company's circumstances, then the Audit and Valuation Committee can approve appropriate valuation techniques for that investment.

The process of valuing investments for which no published market exists will inevitably be subject to inherent uncertainties and the resulting values may differ from values that would have been used had a ready market existed for the investments.

The Audit and Valuation Committee will review and, if deemed fit, approve Lions Capital's valuation of the Funds' investments in Portfolio Companies on a quarterly basis in connection with the Audit and Valuation Committee's approval of the Pricing Net Asset Value of the Funds and the Pricing Net Asset Value per Share for the Funds (see "Calculation of Net Asset Value – Calculation of Pricing Net Asset Value" above).

### ***Independent Assessment***

On an annual basis, Advantage obtains a review by an independent chartered business valuator of the aggregate estimated Fair Value of Portfolio Companies for which no published market exists for each of the Funds, calculated in accordance with the Valuation Methodology.

### **Reporting of Pricing Net Asset Value**

Advantage will publish its Pricing Net Asset Value per Share weekly. However, Advantage may, at its sole discretion, choose to report its Pricing Net Asset Value per Share more regularly. Advantage's Pricing Net Asset Value per Share can be obtained free of charge by calling Advantage's offices at 604-688-6877, on Advantage's website at [www.bcadvantagefunds.com](http://www.bcadvantagefunds.com) or by contacting your investment advisor.

## **ATTRIBUTES OF THE SECURITIES DISTRIBUTED**

### **Description of the Securities Distributed**

Investors who purchase under this Prospectus will purchase Advantage Venture Shares, Advantage Growth Fund Shares, Advantage Structured Fund I Shares, Advantage Structured Fund II Shares, Advantage Structured Fund III Shares and/or Advantage Structured Fund IV Shares. Advantage Venture Common Shares and Advantage Venture RRSP Common Shares have the same Pricing Net Asset Value per Share and have identical rights and restrictions. Advantage Growth Fund Common Shares and Advantage Growth Fund RRSP Common Shares have the same Pricing Net Asset Value per Share and have identical rights and restrictions. Advantage Structured Fund I Common Shares and Advantage Structured Fund I RRSP Common Shares have the same Pricing Net Asset Value per Share and have identical rights and restrictions. Advantage Structured Fund II Common Shares and Advantage Structured Fund II RRSP Common Shares have the same Pricing Net Asset Value per Share and have identical rights and restrictions. Advantage Structured Fund III Common Shares and Advantage Structured Fund III RRSP Common Shares have the same Pricing Net Asset Value per Share and have identical rights and restrictions. Advantage Structured Fund IV Common Shares and Advantage Structured Fund IV RRSP Common Shares have the same Pricing Net Asset Value per Share and have identical rights and restrictions. Investors' funds will be used for investment in the Advantage Venture Fund, Advantage Growth Fund, Advantage Structured Fund I, Advantage Structured Fund II, Advantage Structured Fund III and/or Advantage Structured Fund IV, as applicable.

The division of each Fund's Shares into two classes of Shares, "Common Shares" and "RRSP Common Shares", provides us with a mechanism for tracking whether or not Investors hold their Shares in an RRSP, or other registered account. This Prospectus qualifies the distribution to the public of our Advantage Venture Common Shares, Advantage Venture RRSP Common Shares, Advantage Growth Fund Common Shares, Advantage Growth Fund RRSP Common Shares, Advantage Structured Fund I Common Shares, Advantage Structured Fund I RRSP Common Shares, Advantage Structured Fund II Common Shares, Advantage Structured Fund II RRSP Common Shares, Advantage Structured Fund III Common Shares, Advantage Structured Fund III RRSP Common Shares, Advantage Structured Fund IV Common Shares and Advantage Structured Fund IV RRSP Common Shares. We may elect in the future to offer to the public our other classes of Shares.

Other than the specific investment focus of each class of Shares, the main difference among the classes of our Shares is the Pricing Net Asset Value per Share of the Fund they represent. The Pricing Net Asset Value per Share of the Fund they represent is the amount that we will pay to Investors upon their redemption of their Shares, or in respect of a distribution of capital on our dissolution or winding up. We will also use the Pricing Net Asset Value per Share to calculate any amounts we pay on a distribution of capital or upon the payment of a dividend on our Shares. Other than in these respects, the various classes of Shares rank equally.

We also have a separate class of common shares, referred to in this Prospectus as the Equity Participation Shares. The value in these Equity Participation Shares can only be realized by their holders pursuant to the terms of the Management Agreement. Lions Capital owns all of the issued and outstanding Equity Participation Shares. These shares only have value to Lions Capital after certain investment objectives have been achieved. The holders of the Equity Participation Shares are entitled to receive a dividend if and when declared by our Board. The Equity Participation Shares have no voting rights, except that the holders of the Equity Participation Shares have the right to attend and vote at general meetings of our shareholders to elect such number of our Directors as is equal to not less than 20% of the total number of Directors that comprise our Board. For further information on the Equity Participation Shares, please refer to "Organization and Management Details of Advantage – Details of the Advantage Management Agreement".

The material attributes of all of our Shares are as follows:

- (a) **Dividends** – Holders of a class of Shares are entitled to receive dividends, if, as, and when declared by the Board from time to time to the exclusion of all or any other classes of Shares of Advantage. We may also pay dividends on our Equity Participation Shares to the exclusion of any other classes of Shares;
- (b) **Voting Rights** – All holders of Shares have one vote in person or by proxy for each Share held. Holders of Shares are entitled to receive notice of and attend all meetings of Advantage shareholders and will be entitled to vote at any such meeting. Holders of Shares are entitled to elect the Directors of Advantage, provided that the holders of the Equity Participation Shares have the right to attend and vote at general meetings of Advantage shareholders to elect such number of Directors as is equal to not less than 20% of the total number of Directors that comprise the Board;
- (c) **Dissolution** - on the liquidation, dissolution or winding-up or other distribution of our assets for the purpose of winding-up our affairs, the holders of Shares will be entitled to receive the Pricing Net Asset Value per Share of the applicable Fund they have invested in. Any material assets, as determined by the Board in its sole discretion, then remaining in the applicable Fund will be distributed to the holders of the Shares attributable to that Fund pro-rated based upon the number of Shares of that Fund held by the shareholder at that date;
- (d) **Conversion** – Advantage is entitled at any time, by a resolution of the Directors, to require that all or any class of Advantage’s common shares be converted into any other class of its common shares, so long as the conversion is carried out based upon the respective Net Assets of the respective classes of common shares; and
- (e) **Redemption** – Please see "Redemption of Securities – Redemption Rights" for further details regarding redemption rights.

Provisions as to the modification, amendment or variation of the special rights and restrictions attached to our common shares are contained in our Articles and the Business Corporations Act. Generally speaking, the creation, variation or deletion of special rights or restrictions attached to a class of common shares requires the approval of the shareholders by Special Resolution. Notwithstanding the foregoing, no right or special right attached to issued shares may be prejudiced or interfered with unless the shareholders holding shares of the class or series of shares to which the right or special right is attached consent by a separate Special Resolution of those shareholders.

## **SECURITYHOLDER MATTERS**

### **Meetings of Securityholders**

Advantage holds an annual shareholders’ meeting at least once in each calendar year. Advantage provides shareholders with at least 21 days’ notice of such meetings. At Advantage’s annual shareholder meetings, the general business will typically include consideration of the financial statements of Advantage, the setting of the number of Directors, the election of Directors, and the appointment of an auditor. If shareholders are asked to consider and approve special business, the majority of votes required to pass a Special Resolution is two-thirds of the votes cast on the resolution.

### **Matters Requiring Securityholder Approval**

In addition to the matters discussed above under "Meetings of Securityholders", Advantage must from time to time obtain securityholder approval of various other matters to comply with applicable law, including the SBVCA. For example, Advantage must obtain securityholder approval of compensation paid to Lions Capital on a yearly basis in the form of a Special Resolution in order to comply with the SBVCA. In addition, significant corporate changes such as the Amalgamation will typically require securityholder approval under the Business Corporations Act.

### **Reporting to Securityholders**

Each financial year, Advantage shareholders will receive audited annual financial statements and a management report of fund performance for the year ended December 31, unaudited six-month interim financial statements and a management report of fund performance for the period ended June 30, and an information circular regarding the business proposed for each annual meeting of Advantage shareholders.

## TERMINATION OF THE FUNDS

None of the Funds has a fixed termination date. As discussed under “Attributes of the Securities Distributed”, in the event of our liquidation, dissolution or winding-up or other distribution of our assets for the purpose of winding-up our affairs, the holders of Shares will be entitled to receive the Pricing Net Asset Value per Share of the applicable Fund they have invested in. Any material assets, as determined by the Board in its sole discretion, then remaining in the applicable Fund will be distributed to the holders of the Shares attributable to that Fund pro-rated based upon the number of Shares of that Fund held by the shareholder at that date.

Our Board may, by resolution, require that all or any class of our common shares be converted into any other class of our common shares, so long as the conversion is carried out based upon the respective Net Assets of the respective classes of common shares. The exercise of this right may in practical terms result in a Fund being terminated.

## PLAN OF DISTRIBUTION

We have received an equity allocation from the SBVCA Administrator authorizing us to raise up to \$10,000,000 of equity capital during the period ending February 15, 2010, up to a further \$10,000,000 of equity capital during the period February 16, 2010 to February 15, 2011, and up to a further \$10,000,000 of equity capital during the period February 16, 2011 to February 15, 2012, for a total of \$30,000,000. In addition, if we sell out our \$10,000,000 equity allocation in any of those years, we can access an additional \$16,000,000 pool of Tax Credit allocation on a first come, first served basis with other retail VCC funds. Therefore, the maximum we may raise in Offered Shares in respect of which Investors may receive Tax Credits for the 2009 taxation year is \$26,000,000, assuming we access the entire excess pool of Tax Credit allocation available to all retail VCC funds.

As of June 4, 2009, we have sold a total of 33,421 Offered Shares for a total of \$208,176 in respect of which Investors are entitled to receive Tax Credits for the 2009 taxation year. Accordingly, we may raise up to an additional \$25,791,824 in Offered Shares in respect of which Investors may receive Tax Credits for the 2009 taxation year. The \$26,000,000 maximum we may raise in Offered Shares in respect of which Investors may receive Tax Credits for the 2009 taxation year assumes that we access the entire excess pool of Tax Credit allocation available to all retail VCC funds. In the event we sell our entire equity capital allocation for the 2009 taxation year prior to January 1, 2010, we will suspend sales of our Offered Shares until January 1, 2010 at which point we will begin selling our Offered Shares that are eligible to receive Tax Credits for the 2010 taxation year.

If we receive from the SBVCA Administrator an additional equity allocation(s) for the 2009 taxation year, this Prospectus will qualify the sale of those additional Offered Shares and we will continue selling such Offered Shares that are eligible to receive Tax Credits for the 2009 taxation year up until the earlier of January 1, 2010 or such date as we have sold such additional allocation(s). There is no guarantee that we will sell out of all of our entire equity allocation(s) for the 2009 taxation year prior to the end of the 2009 tax season or, if we were able to do so, that the SBVCA Administrator would grant us any additional allocation(s) for the 2009 taxation year.

We have chosen to offer to the public under this Prospectus the Offered Shares, namely our Advantage Venture Common Shares, Advantage Venture RRSP Common Shares, Advantage Growth Fund Common Shares, Advantage Growth Fund RRSP Common Shares, Advantage Structured Fund I Common Shares, Advantage Structured Fund I RRSP Common Shares, Advantage Structured Fund II Common Shares, Advantage Structured Fund II RRSP Common Shares, Advantage Structured Fund III Common Shares and Advantage Structured Fund IV RRSP Common Shares and no other classes of our Shares.

Advantage Venture Common Shares and Advantage Venture RRSP Common Shares have the same Pricing Net Asset Value per Share and have identical rights and restrictions. Advantage Growth Fund Common Shares and Advantage Growth Fund RRSP Common Shares have the same Pricing Net Asset Value per Share and have identical rights and restrictions. Advantage Structured Fund I Common Shares and Advantage Structured Fund I RRSP Common Shares have the same Pricing Net Asset Value per Share and have identical rights and restrictions. Advantage Structured Fund II Common Shares and Advantage Structured Fund II RRSP Common Shares have the same Pricing Net Asset Value per Share and have identical rights and restrictions. Advantage Structured Fund III Common Shares and Advantage Structured Fund III RRSP Common Shares have the same Pricing Net Asset Value per Share and have identical rights and restrictions. Advantage Structured Fund IV Common Shares and Advantage Structured Fund IV RRSP Common Shares have the same Pricing Net Asset Value per Share and have identical rights and restrictions. We may in the future offer other classes of our Shares to the public.

The price per Offered Share will be determined based on the Pricing Net Asset Value per Offered Share on the Valuation Date which falls on or occurs immediately after the date on which we receive a properly completed subscription for Offered Shares.

We will distribute our Offered Shares through our Selling Agents. We may pay commissions and service fees to Selling Agents for selling our Offered Shares. At a Selling Agent's option, Advantage will either: (a) pay an up front cash commission to a Selling Agent equal to up to 7.5% of the gross proceeds of the Shares sold by the Selling Agent; or (b) pay an up front cash commission to a Selling Agent equal to 5% of the gross proceeds of the Shares sold by the Selling Agent and a servicing (or trailer) fee of 0.5% per annum of the aggregate Pricing Net Asset Value of the Shares held by clients of the Selling Agent, calculated monthly and paid quarterly. In the event that Advantage does not pay a cash commission to a Selling Agent through whom an Investor purchased Offered Shares, that Investor may pay per Offered Share an amount equal to 95% of the Pricing Net Asset Value per Share.

We reserve the right to not pay, and not to accrue any service fee if the amount is less than \$50 per quarter or in other specific circumstances we may specify from time to time. In some situations, we may also pay a corporate finance fee to investment bankers or Selling Agents. We will also distribute our Offered Shares through persons registered as mutual fund dealers subject to the conditions contained in B.C. Instrument 32-505.

### **PRINCIPAL HOLDERS OF SECURITIES OF ADVANTAGE**

To the knowledge of Advantage's Directors and Officers, no person beneficially owns, directly or indirectly or exercises control or direction over, Shares carrying more than 10% of the voting rights attached to all outstanding Shares.

As of the date hereof, Advantage's Directors and Officers as a group, beneficially own directly or indirectly approximately 90% of the voting shares of Lions Capital and the directors and officers of Lions Capital as a group, beneficially own directly or indirectly approximately 90% of the voting shares of Lions Capital.

### **INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Other than as disclosed in this Prospectus, no director or executive officer of Advantage or Lions Capital, or any of their Associates or Affiliates, has any material interest, direct or indirect, in any transaction within three years before the date of this Prospectus that has materially affected or is reasonably expected to materially affect Advantage.

Advantage has retained Lions Capital to provide the services referred to under "Organization and Management Details of Advantage – Duties and Services to be Provided by the Manager". Lions Capital provides all of the management services necessary for the basic day-to-day operation of Advantage. Lions Capital provides the fund management services of Frank Holler, David Raffa, Jim Heppell and Tanner Philp.

***Dr. Donald Rix***  
***Shareholder, Director and Officer of Advantage***

- (a) Dr. Rix is a director, officer and indirect shareholder of Lions Capital; and
- (b) Dr. Rix is a shareholder of and has an indirect interest in Prottox Therapeutics Inc., a company in which Advantage has made an investment.

***Frank Holler***  
***Shareholder, Director and Officer of Advantage***

- (a) Mr. Holler is a director, officer and shareholder of Lions Capital;
- (b) Mr. Holler is Chairman of the board, a director, a consultant and shareholder of Prottox Therapeutics Inc., a company in which Advantage has made an investment;
- (c) Mr. Holler is a director of Allon Therapeutics Inc., a company in which Advantage has made an investment; and
- (d) Mr. Holler is a director of Contech Electronics Inc., a company in which Advantage has made an investment.

***Dr. Avtar Dhillon***  
***Director of Advantage***

- (a) Dr. Dhillon is a director and shareholder of Protox Therapeutics Inc., a company in which Advantage has made an investment;
- (b) Dr. Dhillon is a shareholder of Allon Therapeutics Inc., a company in which Advantage has made an investment;
- (c) Dr. Dhillon is a shareholder of Neovasc Inc., a company in which Advantage has made an investment;
- (d) Dr. Dhillon is a shareholder of Urodynamix Technologies Ltd., a company in which Advantage has made an investment;
- (e) Dr. Dhillon is a shareholder of Vigil Health Solutions Inc., a company in which Advantage has made an investment;
- (f) Dr. Dhillon is a shareholder of Voice Mobility International Inc., a company in which Advantage has made an investment; and
- (g) Dr. Dhillon is a shareholder of Sirius Genomics Inc., a company in which Advantage has made an investment.

***David Shore***  
***Director of Advantage***

- (a) Mr. Shore is a shareholder of Metrobridge Networks International Inc., a company in which Advantage has made an investment; and
- (b) Mr. Shore is a shareholder of Celeres Systems Inc., a company in which Advantage has made an investment.

***Jim Heppell***  
***Shareholder and Officer of Advantage***

- (a) Mr. Heppell is a director and officer of, and has an indirect interest in, Lions Capital;
- (b) Mr. Heppell is a director, a consultant and shareholder of, and has an indirect interest in, Protox Therapeutics Inc., a company in which Advantage has made an investment;
- (c) Mr. Heppell is a director and shareholder of Sirius Genomics Inc., a company in which Advantage has made an investment;
- (d) Mr. Heppell is a shareholder of, and has an indirect interest in, Vigil Health Solutions Inc., a company in which Advantage has made an investment;
- (e) Mr. Heppell is a shareholder of MetroBridge Networks International Inc., a company in which Advantage has made an investment;
- (f) Mr. Heppell is a shareholder and director of, and has an indirect interest in, Urodynamix Technologies Ltd., a company in which Advantage has made an investment;
- (g) Mr. Heppell is Chairman of the board and a shareholder of, and has an indirect interest in, Contech Enterprises Inc., a company in which Advantage has made an investment;
- (h) Mr. Heppell is a shareholder of Neovasc Inc., a company in which Advantage has made an investment; and
- (i) Mr. Heppell is a director of Methylation Sciences Inc., a company in which Advantage has made an investment.

***David J. Raffa***  
***Indirect Shareholder and Officer of Advantage***

- (a) Mr. Raffa is a director and officer of, and has an indirect interest in, Lions Capital;
- (b) Mr. Raffa is a director of NxtGen Emission Controls Inc., a company in which Advantage has made an investment;

- (c) Mr. Raffa is a director of Voice Mobility International Inc., a company in which Advantage has made an investment;
- (d) Mr. Raffa is a director of Mobidia Technology Inc., a company in which Advantage has made an investment;
- (e) Mr. Raffa is a director of Contigo Systems Inc., a company in which Advantage has made an investment;
- (f) Mr. Raffa is a shareholder of, and has an indirect interest in, Protox Therapeutics Inc., a company in which Advantage has made an investment; and
- (g) Mr. Raffa has an indirect interest in Urodynamix Technologies Ltd., a company in which Advantage has made an investment.

***Tanner Philp***  
***Indirect Shareholder and Officer of Advantage***

- (a) Mr. Philp is an officer of, and has an indirect interest in, Lions Capital;
- (b) Mr. Philp is Chairman of the board of Conasys Consumer Assurance Systems Inc., a company in which Advantage has made an investment;
- (c) Mr. Philp is the Corporate Secretary and a shareholder of Urodynamix Technologies Ltd., a company in which Advantage has made an investment;
- (d) Mr. Philp is a director of Vigil Health Solutions Inc., a company in which Advantage has made an investment;
- (e) Mr. Philp has an indirect interest in Protox Therapeutics Inc., a company in which Advantage has made an investment;
- (f) Mr. Philp has an indirect interest in Allon Therapeutics Inc., a company in which Advantage has made an investment; and
- (g) Mr. Philp is a director of Voice Mobility International Inc., a company in which Advantage has made an investment.

**PROXY VOTING DISCLOSURE**

**Proxy Voting Disclosure for Portfolio Securities Held**

Pursuant to the Management Agreement, Lions Capital is responsible for the investment management of Advantage, including the exercise of voting rights attaching to securities held by us. Lions Capital has established proxy voting policies, procedures and guidelines for securities held by Advantage to which voting rights are attached.

Lions Capital or its authorized representatives vote the proxies received in connection with regular and special meetings of the shareholders of Portfolio Companies in a manner that it believes to be in the best interests of Advantage and its shareholders. Generally, this means that Lions Capital will cast votes with management of a Portfolio Company on routine matters, provided that those matters meet the corporate governance requirements that may be applicable to that Portfolio Company, since a decision to invest in a Portfolio Company is generally an endorsement of its management. On other matters, including those business issues specific to the Portfolio Company or those raised by its shareholders, Lions Capital will vote on a case by case basis, in a manner which Lions Capital believes is in the best interests of Advantage, having regard to the available information.

From time to time, apparent conflicts of interest may arise with respect to the exercise of voting rights of securities held by Advantage. In all situations of conflict or apparent conflict, Lions Capital will vote uninfluenced by considerations other than the best interests of Advantage.

The policies and procedures that Lions Capital follows when voting proxies are available on request, at no cost, by calling 604-688-6877 (Ext. 16) or by writing to Advantage's head office at Suite 1280 – 885 West Georgia Street, Vancouver, British Columbia. Advantage's proxy voting records for the most recent period ended June 30 of each year is available free of charge to any investor upon request at any time after August 31 of that year and will be posted on the internet at [www.bcadvantagefunds.com](http://www.bcadvantagefunds.com).

## **MATERIAL CONTRACTS**

Except for contracts entered into in the ordinary course of business, the following are the only contracts entered into by Advantage which may be reasonably regarded as presently material:

- (1) The Amalgamation Agreement dated May 22, 2008 between the Amalgamated Companies pursuant to which the Amalgamation was completed.
- (2) The Management Agreement.
- (3) The Articles of Advantage.

Our material contracts may be inspected by securityholders during business hours at our head office at Suite 1280 – 885 West Georgia Street, Vancouver, British Columbia.

## **EXPERTS**

KPMG LLP is the only person who is named as having prepared or certified a report, valuation, statement or opinion in this Prospectus relating to Advantage and whose profession or business gives authority to the report, valuation, statement or opinion made by such person. KPMG LLP are the auditors of Advantage and have confirmed that they are independent with respect to the Advantage within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of British Columbia.

## **EXEMPTIONS AND APPROVALS**

On November 13, 2008, Advantage obtained a temporary exemption from the BCSC from the requirement in Part 14 of National Instrument 41-101 - General Prospectus Requirements that the portfolio assets of investment funds be held under the custodianship of one custodian. This exemption expires on August 8, 2009, and Advantage intends to apply for a renewal of the exemption.

Our predecessor B.C. Advantage Funds (VCC) Ltd. obtained an exemption order from the BCSC dated March 13, 2006 exempting it from the requirement in National Instrument 81-106 to prepare and file an annual information form (an "AIF") for each of the Advantage Technology Fund (which was combined in May 2008 with the Advantage Venture Fund) and the Advantage Life Science Fund I on the basis that AIF-level disclosure for such funds be included in Advantage's renewal prospectuses for its Advantage Venture Fund. As the Advantage Life Science Fund I no longer exists, Advantage is not currently relying on this exemption.

## **PURCHASERS' STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION**

The Securities Act provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two Business Days after receipt, or deemed receipt, of a prospectus and any amendment. The securities legislation further provides a purchaser with remedies for rescission or damages where the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such remedies must be exercised by the purchaser within the time limits prescribed by the Securities Act. The purchaser should refer to the applicable provisions of the Securities Act for the particulars of these rights or consult with a legal advisor.

## **DOCUMENTS INCORPORATED BY REFERENCE**

Additional information about Advantage is available in the following documents:

- Our comparative annual financial statements for the years ended December 31, 2008 and December 31, 2007, together with the accompanying report of KPMG LLP;
- Our annual reports of fund performance for the year ended December 31, 2008;
- Any interim financial statements of Advantage filed after those annual financial statements referred to above; and

- Any interim management reports of fund performance for Advantage filed after the annual management reports of fund performance referred to above.

These documents are incorporated by reference into this Prospectus, which means that they legally form part of this Prospectus just as if they were printed as part of this Prospectus. You can get a copy of these documents, at your request, and at no cost, by calling 604-688-6877 or by contacting Ambrose Hong via email at [ahong@lionscapital.com](mailto:ahong@lionscapital.com). These documents and other information about Advantage are available on the internet at [www.sedar.com](http://www.sedar.com).

In addition, more information about Advantage is available in the financial statements of the Structured Funds attached to this Prospectus, which are in the form of Opening Statements of Net Assets dated July 9, 2009.

Any documents of the type described above under the heading "Documents Incorporated by Reference", if filed by Advantage after the date of this Prospectus and before the termination of the distribution of Shares under this Prospectus, are deemed to be incorporated by reference in this Prospectus.



**KPMG LLP**  
**Chartered Accountants**  
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Vancouver BC V7Y 1K3  
Canada

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Internet [www.kpmg.ca](http://www.kpmg.ca)

## AUDITORS' CONSENT

To the Board of Directors of B.C. Advantage Funds (VCC) Ltd.

We have read the prospectus dated July 20, 2009 relating to the offering of Advantage Venture Shares, Advantage Growth Fund Shares, Advantage Structured Fund I Shares, Advantage Structured Fund II Shares, Advantage Structured Fund III Shares and Advantage Structured Fund IV Shares. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned prospectus of our report to the shareholders of Advantage Venture Fund, Advantage Growth Fund, and Advantage Life Science Fund I (collectively, the "Pre-Existing Funds") on the statements of investment portfolio of the Pre-Existing Funds as at December 31, 2008, their statements of net assets as at December 31, 2008 and 2007, and their statements of operations, changes in net assets and cash flows for the years then ended. Our report is dated March 13, 2009.

We also consent to the use in the above-mentioned prospectus of our report to the shareholders of Advantage Structured Fund I, Advantage Structured Fund II, Advantage Structured Fund III, and Advantage Structured Fund IV (collectively the "Structured Funds") on the opening statements of net assets of the Structured Funds as at July 9, 2009. Our report is dated July 9, 2009.

Chartered Accountants

Vancouver, Canada  
July 20, 2009

**FINANCIAL STATEMENTS OF B.C. ADVANTAGE**

Opening Statements of Net Assets

**Advantage Structured Fund I  
Advantage Structured Fund II  
Advantage Structured Fund III  
Advantage Structured Fund IV**

**within B.C. Advantage Funds (VCC) LTD.**

July 9, 2009

## **MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING**

Advantage Structured Fund I  
Advantage Structured Fund II  
Advantage Structured Fund III  
Advantage Structured Fund IV  
within B.C. Advantage Funds (VCC) Ltd.  
(collectively, the Structured Funds)

The accompanying opening statements of net assets of the Structured Funds have been prepared by the Fund Manager, Lions Capital Corp. The Fund Manager is responsible for the preparation and presentation of the Structured Funds' financial statements and for the development of internal controls over the financial reporting process.

The Board of Directors of B.C. Advantage Funds (VCC) Ltd. is responsible for reviewing and approving the financial statements and for overseeing the Fund Manager's performance of its financial reporting responsibilities. The Board of Directors has approved the accompanying financial statements of the Structured Funds.

KPMG LLP, the external auditors of the Structured Funds, was appointed by the Board of Directors. As explained in their auditors' report, KPMG LLP has audited the opening statements of net assets in accordance with Canadian generally accepted auditing standards to enable them to express to the shareholders their opinion on the financial statements. Their auditors' report follows.

**Lions Capital Corp.**

**"Frank Holler"**

Chief Executive Officer

**"Tanner Philp"**

Chief Financial Officer

July 9, 2009



**KPMG LLP**  
**Chartered Accountants**  
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## AUDITORS' REPORT TO THE SHAREHOLDERS

Advantage Structured Fund I  
Advantage Structured Fund II  
Advantage Structured Fund III  
Advantage Structured Fund IV  
within B.C. Advantage Funds (VCC) Ltd.  
(collectively, the Structured Funds)

We have audited the opening statements of net assets of the Structured Funds as at July 9, 2009. These financial statements are the responsibility of the Fund Manager. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Fund Manager, as well as evaluating the overall financial statement presentation.

In our opinion, these opening statements of net assets present fairly, in all material respects, the financial position of the of the Structured Funds as at July 9, 2009 in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Vancouver, Canada

July 9, 2009

# ADVANTAGE STRUCTURED FUNDS I, II, III & IV

within B.C. Advantage Funds (VCC) Ltd.

Opening Statements of Net Assets

July 9, 2009

	Advantage Structured Fund I	Advantage Structured Fund II	Advantage Structured Fund III	Advantage Structured Fund IV
<b>Assets</b>				
Cash and cash equivalents	\$ 10	\$ 10	\$ 10	\$ 10
<b>Net assets</b> , representing shareholders' equity	\$ 10	\$ 10	\$ 10	\$ 10
Number of common shares outstanding (note 6)	1	1	1	1
Net assets per common share	\$ 10	\$ 10	\$ 10	\$ 10

Commitments (notes 6(c) and 7)

Contingency (note 8)

See accompanying notes to financial statements.

Approved on behalf of the Board of Directors:

"Don Rix" Director

"Frank Holler" Director

# ADVANTAGE STRUCTURED FUNDS I, II, III & IV

within B.C. Advantage Funds (VCC) Ltd.

Notes to Opening Statements of Net Assets

July 9, 2009

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## 1. Organization:

B.C. Advantage Funds (VCC) Ltd. (the Company) was incorporated under the Company Act of British Columbia on October 1, 2002 and is registered as a venture capital corporation (VCC) under the Small Business Venture Capital Act (the SBVCA). The Company is a venture capital business that focuses its investment activities on early stage technology and life sciences companies that are eligible under the SBVCA.

As at December 31, 2008, the Company was comprised of three distinct investment funds: the Advantage Venture Fund, the Advantage Growth Fund, formerly named the Pender NDI Life Sciences Fund (VCC) Inc., D.B.A. Advantage Life Science Fund II, and the Advantage Life Science Fund I, formerly named the Advantage Life Science Fund, (collectively, the Pre-Existing Funds). The Advantage Venture Fund invests in emerging technology, clean-tech and life science companies; the Advantage Growth Fund invests in emerging technology, clean-tech and life science companies, including companies that have growing revenues, are profitable or approaching profitability and are likely to provide liquidity within a three to five years time frame; and the Advantage Life Science Fund I invests in emerging life science companies. The most recent financial statements of the Pre-Existing Funds as at and for the year ended December 31, 2008 were audited by KPMG LLP, who issued an unqualified opinion in the auditors' report dated March 13, 2009. These financial statements comprise only the opening statements of net assets of the four new funds being incepted by the Company as of July 9, 2009: Structured Fund I, Structured Fund II, Structured Fund III and Structure Fund IV (the Structured Funds) and do not include all funds comprising the Company. The Company may add additional investment funds in the future.

Investors' funds are invested directly in common shares of one or some combination of the Pre-Existing Funds and, in future, the Structured Funds (the Pre-Existing Funds and the Structured Funds hereinafter collectively referred to as the Funds). The various classes of common shares rank equally and are identical in all respects, save and except for the net assets ascribed to each class of common shares.

The Funds are managed by Lions Capital Corp. (the Fund Manager), in accordance with the terms of a management agreement dated May 1, 2003, as amended October 31, 2003, September 30, 2006, April 1, 2007, August 8, 2008 and June 5, 2009 (the Management Agreement).

## 2. Significant accounting policies:

### (a) Basis of presentation:

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP).

# ADVANTAGE STRUCTURED FUNDS I, II, III & IV

within B.C. Advantage Funds (VCC) Ltd.

Notes to Opening Statements of Net Assets

July 9, 2009

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## 2. Significant accounting policies (continued):

### (b) Venture investments:

Venture investments are recorded at estimated fair value. Fair value is the value that would be agreed upon between knowledgeable and willing parties dealing at arm's length without constraint. Investment transactions are accounted for on a trade date basis. The resulting gains or losses on such transactions are recorded in operations at that time, and are determined based on the average cost of the respective investment. Changes in unrealized appreciation or depreciation of investments are also recorded in results of operations.

#### (i) Publicly-traded:

The fair values of the Funds' investments in portfolio companies that have quoted market values and that are publicly-traded on a recognized stock exchange are based on the closing bid quotations at the date of the financial statements.

#### (ii) Privately-owned:

The fair values of the Funds' investments in portfolio companies for which no published market exists are recorded at estimated fair values. Fair values of these investments are determined on the basis of the expected realizable value of the investments if they were disposed of in an orderly manner over a reasonable period of time.

Investments are initially recorded at cost until either there is a substantial arm's length transaction or there is objective evidence that establishes a different fair value. Where there is evidence of a decline in value of an investment as indicated by an assessment of the financial condition of an investee, the carrying value of the investment is adjusted to the estimated realizable value. For investments in more mature companies, fair value may be determined through the use of established valuation models.

The process of valuing investments for which no published market exists is inevitably based on inherent uncertainties, and the resulting values may differ from values that would have been determined had a ready market existed for the investments. These differences could be material.

### (c) Cash and cash equivalents:

Cash and cash equivalents consists of cash and highly liquid short-term interest-bearing securities with maturity dates of less than 90 days at inception.

### (d) Sales commissions and share issue costs:

Sales commissions and other costs directly related to the issuing of common shares are recorded as a reduction in net assets when the shares are issued.

# ADVANTAGE STRUCTURED FUNDS I, II, III & IV

within B.C. Advantage Funds (VCC) Ltd.

Notes to Opening Statements of Net Assets

July 9, 2009

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## 2. Significant accounting policies (continued):

### (e) Income taxes:

Income taxes are accounted for under the asset and liability method of accounting for income taxes. Under the asset and liability method, future income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future income tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. A valuation allowance is recorded against any future income tax asset if it is more likely than not that the asset will not be realized. The effect on future income tax assets and liabilities of a change in tax rates is recognized in operations in the period that enactment or substantive enactment occurs.

The Company files an income tax return that encompasses all Funds. Income taxes recorded within each Fund's financial statements are determined on an individual Fund basis as if each Fund were filing a separate income tax return. Where a Fund utilizes tax deductions of another Fund, the transfer of these tax deductions is reflected in each Fund's statement of operations within income tax expense or recovery, as appropriate, and in each Fund's statement of net assets as an inter-fund receivable or payable.

### (f) Stock-based compensation:

The Company has issued equity participation shares to its Fund Manager. Value is accreted to these equity participation shares when certain performance conditions are met. The value accreted to equity participation shares is accounted for by the Funds as stock-based compensation and expensed in the respective Fund's statement of operations and recorded as accrued equity participation in the related statement of net assets. However, the equity participation is actually payable only when all performance conditions (see note 6(c)) have been met and the accreted value is therefore realizable by the Fund Manager. To the extent that unrealized gains are not ultimately realized, the related equity participation accrual will be adjusted.

### (g) Per common share values:

#### (i) Net assets for financial reporting purposes:

Net assets per common share is calculated based on the number of common shares outstanding at the valuation date. Income (loss) from operations per common share is calculated based on the weighted-average number of common shares outstanding during the year.

# ADVANTAGE STRUCTURED FUNDS I, II, III & IV

within B.C. Advantage Funds (VCC) Ltd.

Notes to Opening Statements of Net Assets

July 9, 2009

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## 2. Significant accounting policies (continued):

(g) Per common share values (continued):

(ii) Net asset value:

Net asset value (NAV), which is a non-GAAP measure, for purposes of transacting share subscriptions and redemptions adjusts net assets for financial reporting purposes to reflect publicly-traded investments at last sale price rather than closing bid price, consistent with the investment industry and as allowed by Canadian Securities Administrators. NAV is also adjusted for unamortized deferred sales commissions and share issuance costs. Because NAV per share is a non-GAAP financial measure that does not have a standardized measure prescribed by GAAP, it may not be comparable to similar measures presented by other funds. Differences between net assets and NAV will be disclosed in future financial statements of the Company.

(h) Use of estimates:

The preparation of financial statements requires the Fund Manager to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the year. Significant areas requiring the use of management estimates include estimations of the fair value of investments and assessments of the financial condition of investees that might indicate a change in value of a particular investee. Assumptions underlying investment valuations are limited by the availability of reliable data and the uncertainty of predictions concerning future events. Accordingly, by their nature, investment valuations include a subjective element. Financial results as determined by actual events could differ from those estimates and assumptions, and the difference could be material.

## 3. Changes in accounting standards:

(a) Future accounting changes:

(i) International Financial Reporting Standards:

In February 2008, the Canadian Accounting Standards Board announced that Canadian Generally Accepted Accounting Principles (GAAP) for publicly accountable enterprises will be replaced by International Financial Reporting Standards (IFRS) for fiscal years beginning on or after January 1, 2011. As a publicly accountable enterprise, the Company will be required to prepare December 31, 2011 financial statements, including comparative information for 2010, in compliance with IFRS.

The Company is currently assessing the potential impact of the transition to IFRS on its financial statements, disclosures and broader financial reporting systems and controls. This includes analyzing the various elections available upon adoption and assessment of the potential impact of the conversion effort on systems, internal controls over financial reporting, disclosure controls and business activities.

# ADVANTAGE STRUCTURED FUNDS I, II, III & IV

within B.C. Advantage Funds (VCC) Ltd.

Notes to Opening Statements of Net Assets

July 9, 2009

## 4. Fees and expenses:

In accordance with the Management Agreement, the Fund Manager is entitled to receive management fees equal to 2.75% of the net asset value of the respective Fund, calculated and paid monthly. Also in accordance with the Management Agreement, separate from the management fee, the Funds reimburse the Fund Manager for expenses incurred by the Fund Manager in connection with its obligations pursuant to the Management Agreement.

Expenses that are the direct responsibility of the Funds include fund administration costs, transfer agency fees, shareholder communications, directors' fees and expenses, accounting fees, audit fees, tax preparation and advisory fees, legal fees, valuation fees, brokerage commissions related to investments, and other miscellaneous costs related to the operations of the Funds.

## 5. Restricted cash:

Pursuant to the requirements of the SBVCA, a VCC that does not have 80% of its raised equity capital invested in eligible businesses is required to maintain an investment protection account in an amount equal to 30% of the funds raised. As investments in eligible businesses are subsequently made, a drawdown from the investment protection account, equal to 37.5% of the investment amount, is available subject to the consent of the administrator of the SBVCA. At such time as a Fund is fully invested in eligible businesses it will have no balance in its investment protection account.

## 6. Share capital:

### (a) Authorized:

19,000,000,000 common shares divided into 19 classes of common shares; each class having an authorized share capital of 1,000,000,000 common shares  
1,000,000,000 equity participating shares

### (b) Issued:

The following table summarizes the issued capital of the Structured Funds:

	Advantage Structured Fund I		Advantage Structured Fund II		Advantage Structured Fund III		Advantage Structured Fund IV	
	Common participation shares	Equity shares	Common participation shares	Equity shares	Common participation shares	Equity shares	Common participation shares	Equity shares
Issued for cash	1	-	1	-	1	-	1	-
Balances, July 9, 2009	1	-	1	-	1	-	1	-

# ADVANTAGE STRUCTURED FUNDS I, II, III & IV

within B.C. Advantage Funds (VCC) Ltd.

Notes to Opening Statements of Net Assets

July 9, 2009

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## 6. Share capital (continued):

### (c) Equity participation:

The Company has issued equity participation shares to its Fund Manager for a nominal amount. Pursuant to the Management Agreement, the Fund Manager has agreed that the equity participation shares will not be transferred, sold, exchanged or paid a dividend until an individual venture investment in the respective Fund has returned all of the capital plus a compound rate of return on investment exceeding 10% per year, and the total realized gains, unrealized gains and net investment income from the portfolio of venture investments of the respective Fund have generated a compound rate of return exceeding 8% per year. The value that may be earned by the Fund Manager is 20% of the amount of a realized gain (before income taxes) on an investment. Equity participation shares that have accreted value may be sold or converted to common shares of the respective Fund. Alternatively, the accreted value may be paid as a dividend to the Fund Manager.

## 7. Commitments:

The Company has an Investment Administration Agreement with the Investment Administration Solution Inc. to provide certain transfer agency and back office administration services. The agreement specifies a minimum fee per month of \$10,000 (plus GST thereon) for three years, which commenced January 1, 2007. The Funds' remaining minimum future payment in accordance with this agreement for the balance of 2009 is \$70,000.

## 8. Contingency:

As a VCC, the Company has to comply with the legislative requirements of the SBVCA, including investing appropriately in eligible businesses and maintaining certain levels of investment for at least five years. The Company has a contingent liability to repay the tax credits granted to its shareholders by the Government of British Columbia if it does not comply with these requirements. As at July 9, 2009, management is not aware of any circumstances where the Company is not in compliance with the requirements of the SBVCA.

## 9. Fair values of financial assets and liabilities:

The fair values of financial instruments (cash and cash equivalents) are considered by the Fund Manager to approximate their carrying values due to their short-term nature.

# ADVANTAGE STRUCTURED FUNDS I, II, III & IV

within B.C. Advantage Funds (VCC) Ltd.

Notes to Opening Statements of Net Assets

July 9, 2009

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## **10. Capital management:**

The Funds have not raised any capital as at July 9, 2009. The objective of the Structured Funds is to raise equity capital and to invest it in investments that meet the Funds' investment criteria. The Structured Funds' capital structure consists only of proceeds from share issuance, net of share issue costs including sales commissions. The Structured Funds may make adjustments to their capital structure in light of economic conditions and the risk characteristics of its investments. As described in note 5, the Funds will be subject to placing 30% of their capital raised into an investment protection account under the SBVCA. Common shares of the Funds are generally only redeemable after five years from the date the proceeds are invested in eligible businesses. Management also has the ability to suspend redemptions in specific situations, including where the Board of Directors determines, in its sole discretion, that the redemption should not proceed.

**CERTIFICATE OF ADVANTAGE**

This prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of British Columbia.

DATED: July 20, 2009

(Signed) FRANK HOLLER  
Chief Executive Officer

(Signed) TANNER PHILP  
Chief Financial Officer

**ON BEHALF OF OUR BOARD OF DIRECTORS**

(Signed) BRAD BENNETT  
Director

(Signed) DAVID SHORE  
Director

**CERTIFICATE OF LIONS CAPITAL, MANAGER AND PROMOTER OF ADVANTAGE**

This prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of British Columbia.

DATED: July 20, 2009

(Signed) FRANK HOLLER  
Chief Executive Officer

(Signed) TANNER PHILP  
Chief Financial Officer

**ON BEHALF OF OUR BOARD OF DIRECTORS**

(Signed) JIM HEPPELL  
Director

(Signed) DAVID RAFFA  
Director