

# **BC ADVANTAGE FUNDS (VCC) LTD.**

## ***Strategic Reorganization and Portfolio Review***

November 2012

# Strategic Reorganization

- In late 2011, in response to the challenging venture capital markets, BC Advantage Funds management decided to carry out a Strategic Reorganization of Advantage in order to reduce its ongoing costs and retain as much value as possible for shareholder redemptions
- On January 1, 2012, Lions Capital voluntarily agreed to terminate its management agreement with Advantage, which resulted in the cessation of all management fees. Remaining officers and employees now work directly for Advantage

# Strategic Reorganization

- As part of the reorganization, Advantage has made substantial reductions in its partners and staff:
  - Partners: 2011 = 5 » 2012 = 3 » 2013 = 2
  - Partner salaries were reduced by 45% in 2012
  - Support and accounting staff: 2010 = 6 » 2011 = 5 » 2012 = 3
- Advantage moved to smaller offices in North Vancouver in early 2012
- These changes have resulted in a dramatic reduction in costs

# Strategic Reorganization

- In order to further reduce fund administration costs, Advantage merged its Venture Fund and its Structured Fund I into the Advantage Structured Fund
- To further cut costs, Advantage terminated the payment of trailer fees to Investment Advisors on all redeemable shares
- The steps taken by Advantage management in the Strategic Reorganization have, in aggregate, reduced Advantage's costs by approximately \$1.2 million per year

# Portfolio Update

- Advantage has ten core portfolio companies, the current fair market value of which are quite equally divided among life sciences, clean technology and information technology
- Two of Advantage's core holdings, Allon Therapeutics and Sophiris Bio, are public on the TSX while the remaining eight are currently private companies
- Advantage's portfolio companies have been able to raise capital and achieve their business objectives despite a challenging financing environment for emerging companies
- The following slides provide an update on the progress and current status of Advantage's core portfolio companies

## Core Holdings - Allon

- In late 2011, Allon completed enrollment (300+ patients) of a pivotal trial of its drug in the treatment of an aggressive form of dementia
- As this is a pivotal trial, a successful outcome may lead to the FDA's approval of Allon's drug
- Top line results from the dementia trial are expected in late Q4 2012
- Marketing studies project peak sales of Allon's drug at between \$750 million to \$1.2B, if approved

## Core Holdings - **Aquinox**

- Aquinox is developing new drugs for inflammation based on a novel target in the PI3-kinase pathway
- Aquinox recently completed two Phase 2 proof-of-concept trials in asthma and COPD. Both studies showed statistically significant efficacy
- There have recently been several large acquisitions of life science companies developing drugs to treat inflammation (Calistoga - \$600M, Amira - \$475M)

## Core Holdings - Contech

- Contech's revenues increased 46% from fiscal 2011 to fiscal 2012 and the Company beat its EBITDA budget by \$300,000 in fiscal 2012
- Contech achieved the highest revenue quarter in its corporate history in Q2 2012
- Plans are to continue to build revenues through strategic acquisitions and organic growth
- Company has significant upside with its pheromone "*SuperBoost*" bee product



## Core Holdings - Contigo

- Contigo's core business is vehicle and personnel tracking (*Alert & Assist is being marketed through Contigo's partnership with Telus*)
- The Company's revenues for FY 2011 were 31% over FY 2010, with a small operating loss in FY 2011
- Contigo's eight month year to date revenues for 2012 are on budget and Contigo is now EBITDA positive

## Core Holdings - Endurance

- Endurance manufactures and markets highly efficient wind turbines out of its facility in South Surrey
- The Company is experiencing rapid revenue growth, doubling revenue from 2010 to 2011 and on track to more than double 2011 revenues in 2012
- In June 2012, Endurance closed a \$4.2 million private placement with Advantage investing \$1.0 million
- The Company has begun installing its own wind turbines as an Independent Power Producer and has set a target of having 440 turbines installed by 2015

# Core Holdings – In Motion

- In Motion has created a proprietary mobile gateway for all commercially available wireless networks (e.g., WiFi, WiMAX, 4G, GPS)
- The Company has recruited a new CEO (ex Cisco and Scientific Atlanta), who is now in place and running the Company
- Large sales funnel expected to yield substantial revenue growth for In Motion in FY 2013

## Core Holdings - **Mobidia**

- Mobidia provides optimization technology to wireless carriers to better manage and monetize data traffic
- The Company launched an app - *My Data Manager* - on Android and iPhone platforms in 2011. MDM recently crossed two million downloads
- Multiple discussions in progress for deployment of MDM with carriers and for the sale of data analytics

## Core Holdings – MSI Pharma

- MSI is developing an extended release formulation of a widely used nutraceutical – SAME - as a new pharmaceutical for the treatment of depression
- In late 2011, MSI closed a \$18M financing led by Inventages, a large European venture fund with expertise in the nutraceutical and medical food industries
- A specific extended release formulation of SAME has been approved by the MSI Board and is currently being manufactured in preparation for a Phase 2 trial in the treatment of depression

## Core Holdings - Redlen

- Redlen manufactures semiconductor compounds for medical imaging and thin-film solar panels
- Settled three year “take or pay” supply contract with First Solar and secured payment
- Completed partnership with Philips Healthcare in CT medical imaging space

## Core Holdings - **Sophiris**

- Sophiris is developing a targeted drug therapy for treatment of benign prostate hyperplasia (enlarged prostate) and prostate cancer
- The Company recently completed a transrectal Phase II bridging study in the United States and is preparing to initiate its first pivotal trial using its drug to treat men with enlarged prostates
- Randy Woods was recently appointed CEO of Sophiris. Randy is an experienced US biotech CEO who sold his previous company, NovaCardia, to Merck for \$350M

# Summary

- Advantage has proactively reorganized its business to dramatically reduce costs and retain as much value as possible for future redemptions
- Advantage's core portfolio holdings are later-stage technology companies that are achieving their business milestones and growing revenues
- The Advantage executive is actively working with management and boards of its portfolio companies to drive them toward liquidity events in a manner that maximizes exit values and allows Advantage to reinstate redemptions