

# **PRIVATE PLACEMENT MEMORANDUM**

## **Forentis Fund, LP**

### **A California Limited Partnership**

**May 1, 2016**

**BY ACCEPTING THIS PRIVATE PLACEMENT MEMORANDUM (“PPM”, “Offering Circular” or “Offering”), YOU, THE OFFEREE SHALL KEEP IN CONFIDENCE THE CONTENTS OF THIS PPM AND THE CONTENTS OF ANY AND ALL ATTACHMENTS. INFORMATION HEREIN SHALL ONLY BE SHARED WITH THE OFFEREE’S ACCOUNTING AND LEGAL COUNSEL. OFFEREE SHALL RETURN THIS PPM AND ALL OTHER ATTACHED DOCUMENTS TO FORENTIS FUND, LP IF AT ANY TIME FORENTIS FUND, LP REQUESTS THE RETURN OF SUCH DOCUMENTS, OR IF OFFEREE CHOOSES NOT TO SUBSCRIBE TO INTERESTS HEREIN.**

**Name of Offeree \_\_\_\_\_**

**Memorandum Number \_\_\_\_\_**

**The Offeree should retain their own counsel to determine the merits of this Offering.**

**PRIVATE PLACEMENT MEMORANDUM**  
**FORENTIS FUND, LP**  
**A California Limited Partnership**  
**\$50,000,000**  
**A Private Offering**  
**of 50,000 Limited Partnership Interests**  
**Purchase Price \$1,000 Per Interest**  
**Minimum Purchase: \$250,000 (250 Interests)**  
**FOR ACCREDITED INVESTORS ONLY**

Forentis Fund, L.P. (the “**Partnership**,” is a California limited partnership formed for the purpose of investing its assets in accordance with the investment program set forth in this Offering Circular. Forentis Partners, LLC (the “**General Partner**”), is the general partner of the Partnership and is responsible for the overall management and administration of the operations of the Partnership.

The General Partner is responsible for the overall management and administration of the operations of the Partnership. The General Partner is managed by Jay Goth. The Partnership has been organized primarily to invest in Blueprint Bio (“**Blueprint**”) and Emerald Logic (“**Emerald**”) (collectively, referred to as “**Portfolio Compan(y)ies**”) and any spin-off subsidiary companies (“**Spin-Off Corporations**”) or joint ventures derived from these two Portfolio Companies for two (2) to seven (7) years with the expectation to wind up the Partnership in year seven. The Portfolio Companies intend to enter into multiple joint venture agreements with a variety of joint venture partners (“**JV Partners**”) for the purposes of advanced diagnostics, treatments and drug development relating to a variety of medical conditions including, but not limited to, addiction, diseases and conditions related to the central nervous system, lung cancer, renal cancer, and inflammatory diseases such as rheumatoid arthritis. JV Partners may include universities, hospitals, research centers, and pharmaceutical companies. The Portfolio Companies, when paired with an appropriate JV Partner, may rescue failed clinical trials for a variety of drugs, assist with the discovery of new treatments for a variety of medical conditions, and help with the development of new diagnostics. The resulting Spin-Off Corporations from the partnership between the JV Partner and Portfolio Companies will result in a new business entity in which the Partnership will invest up to \$7,500,000. (See, “**BUSINESS DESCRIPTION**”)

This Offering sets forth the investment program of the Partnership, the principal terms of the Limited Partnership Agreement of the Partnership, a copy of which is attached hereto as Exhibit B (the “**Partnership Agreement**”), and certain other pertinent information regarding a proposed investment in the Partnership. Each prospective Limited Partner should examine this Offering, the Partnership Agreement and the Subscription Agreement accompanying this Offering in order to assure itself that the terms of the Partnership Agreement and the Partnership’s investment program are satisfactory to it. No person has been authorized in connection with this Offering to give any information or to make any representations other than those contained in this private placement memorandum, and any such information or representations should not be relied upon. Any prospective purchaser of Interests who receives any such information or representations should contact the General Partner immediately to check its accuracy. Neither the delivery of this private placement memorandum nor any sales hereunder shall under any circumstances create an implication that there has been no change in the affairs of the Partnership since the date hereof.

Prospective purchasers should not regard the contents of this private placement memorandum or any other communication from the Partnership as a substitute for careful and independent tax and financial planning. Each potential investor is encouraged to consult with its own independent legal

counsel, accountant and other professional with respect to the legal and tax aspects of this investment and with specific reference to his own tax situation, prior to subscribing for Partnership Interests.

The purchase of Partnership Interests by a qualified pension or profit-sharing plan, individual retirement account (“**IRA**”), Keogh plan or other qualified retirement plan involves special tax risks and other considerations that should be carefully considered. Income earned by qualified plans as a result of an investment in the Partnership may be subject to federal income taxes, even though such plans are otherwise tax exempt.

We will issue the Interests in book-entry form. Subject to certain limited exceptions, you will not receive a certificated security or a negotiable instrument that evidences your Interests. We will deliver written confirmations to purchasers of the Interests.

Interests being offered pursuant to this Offering Circular represent an investment in the Partnership's limited partnership interests (“**Interests.**”) Purchasers of Interests will become limited partners of the Partnership (the “**Limited Partners**” or “**Limited Partner.**”)

The Partnership is committed to raising a minimum of \$2,000,000 prior to using funds (“**Minimum Offering.**”) If the Minimum Offering requirement is not met within one year from the date of this Offering, the Offering will terminate and funds will be returned to subscribers. The maximum capital available through this Offering is Fifty Million Dollars (\$50,000,000). (See “**V. USE OF PROCEEDS.**”) (See “**Distributions.**”) In addition, the General Partner will endeavor to distribute cash to Limited Partners as it sees fit. The returns herein discussed are not intended to be a forecast in any manner. **THE USE OF FORECASTS IN THIS OFFERING IS PROHIBITED. ANY REPRESENTATIONS TO THE CONTRARY AND ANY PREDICTIONS, WRITTEN OR ORAL, AS TO THE AMOUNT OR CERTAINTY OF ANY PRESENT OR FUTURE CASH BENEFIT OR TAX CONSEQUENCE WHICH MAY FLOW FROM AN INVESTMENT IN THIS PROGRAM IS NOT PERMITTED.**

**Potential Subscribers should be aware that there is no guarantee that the Partnership will be able to achieve an annualized return to distribute to the Limited Partners as stated herein.**

AN INVESTMENT IN INTERESTS INVOLVES SIGNIFICANT RISKS, DESCRIBED IN DETAIL IN THIS OFFERING CIRCULAR. See “**IV. RISK FACTORS AND CONFLICTS OF INTEREST**” beginning on page 19 for certain factors investors should consider before buying Interests. Significant risks include the following: (i) this is a “**blind pool**” offering, investors will not be able to evaluate our investments prior to purchasing units; we may not make any profits, in which case Investors may lose their investment; (ii) we have no operating history, no significant assets; and we will rely upon Jay Goth to manage our business; (iii) our business strategy involves substantial risk; (iv) an investment in Interests is subject to substantial withdrawal restrictions and investors will have a limited ability to liquidate their investment in the Partnership; (v) the transfer of Interests is restricted and no public market for Interests exists or is likely to develop; (vi) the General Partner is entitled to various forms of compensation and is subject to certain conflicts of interest; and (vii) Limited Partners will have no right to participate in the management of the Partnership. The Interests offered hereby should be purchased only by Investors who have no need for liquidity in their investment.

**THESE SECURITIES HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “ACT”), IN RELIANCE UPON THE EXEMPTION FROM REGISTRATION PROVIDED BY SECTION 4(2) OF THE ACT, RULE 506 OF REGULATION D OF THE GENERAL RULES**

**AND REGULATIONS PROMULGATED THEREUNDER BY THE SECURITIES AND EXCHANGE COMMISSION. ACCORDINGLY, DISTRIBUTION OF THIS PRIVATE PLACEMENT MEMORANDUM IS LIMITED TO PERSONS WHO MEET CERTAIN MINIMUM FINANCIAL QUALIFICATIONS, AND THIS PRIVATE PLACEMENT MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO SELL OR SOLICITATION OF AN OFFER TO BUY WITH RESPECT TO ANY PERSON WHO DOES NOT MEET SUCH FINANCIAL QUALIFICATIONS. THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION, NOR HAS THE COMMISSION PASSED UPON OR ENDORSED THE MERITS OF THE OFFERING OR THE ACCURACY OR ADEQUACY OF THIS PRIVATE PLACEMENT MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

**The date of this Private Placement Memorandum is dated as of May 1, 2016**

The Offering will terminate on May 1, 2017, unless extended for an additional 180 days at the sole discretion of Forentis (the “**Offering Termination Date**”). The General Partner reserves the right to terminate the Offering at any time. Any subscriptions that have been tendered to Forentis and have not been accepted on or before the Offering Termination Date will be returned to subscribers and any subscription funds included therewith will be returned without interest thereon unless the Offering Termination Date is extended, or Forentis elects, in its sole discretion, to accept such subscriptions.

Subscription funds received from purchasers of Interests will be admitted to the Partnership upon meeting the minimum requirement of \$2,000,000. Initial commitments will be made to fund the growth of Emerald Logic and Blueprint Bio (Portfolio Companies). During the period prior to the time of admission, which is anticipated to be less than 90 days in most cases, purchasers’ subscriptions will remain irrevocable. (See “VII. PLAN OF DISTRIBUTION.”)

## **SUBSCRIPTION INSTRUCTIONS**

- In order to subscribe for Interests, an investor who meets the investor suitability standards described herein should proceed as follows:
- Read the entire Private Placement Memorandum and any supplements accompanying this private placement memorandum.
- Have their status as an “**Accredited Investor**” verified by FundAmerica. FundAmerica may require verification by a Certified Public Accountant, licensed attorney, or Registered Investment Adviser. Such verification based on income may be done by reviewing copies of any Internal Revenue Service form that reports income, such as a Form W-2, Form 1099, Schedule K-1 or Form 1065, and a filed Form 1040. Such verification based on net worth may be done by reviewing specific types of documentation dated within the prior three months, such as bank statements and a credit report from at least one of the nationwide consumer reporting agencies, and obtaining a written representation from the investor.
- Make funds payable to FundAmerica Securities LLC as well as complete the Subscription Agreement any other verification documents via FundAmerica.

To purchase an Interest, an Investor must meet certain eligibility and investor suitability standards, and must execute a Subscription Agreement and Accredited Investor Questionnaire and Verification in the form attached hereto. By executing the Subscription Agreement and Accredited Investor Questionnaire and Verification, an Investor makes certain representations and warranties, upon which the General Partner will rely in accepting subscriptions. By executing the Subscription Agreement and Accredited Investor Questionnaire and Verification and paying the total purchase price for our

Interests subscribed for, each Investor agrees to be bound by all of their terms and attests that the Investor meets the minimum income and net worth standards as described herein. Subscriptions will be effective only upon our acceptance, and we reserve the right to reject any subscription in whole or in part. Subscriptions will be accepted or rejected within 30 days of receipt by us, and if rejected, all funds will be returned to subscribers without interest and without deduction for any expenses within 10 business days from the date the subscription is rejected. We are not permitted to accept a subscription for our Interests until at least 5 business days after the date you receive the final private placement memorandum. If accepted, all or a portion of each investor's subscription funds will be admitted into the Partnership and such subscribers will become Limited Partners only when all or a portion of such subscription funds are required by the partnership to fund Portfolio Companies, a Spin-Off Corporation Investment, to create appropriate reserves or to pay organizational expenses. The General Partner has the right to admit only a portion of an investor's subscription funds at any given time; however, in no case will the General Partner admit less than the required minimum investment by a subscriber. During the period prior to admittance of investors as Limited Partners, proceeds from the sale of units are irrevocable, and will be held by the General Partner for the account of investors in a subscription account and invested in a money market or other liquid asset account. Generally, investors' funds will be transferred from the subscription account into the Partnership on a first-in, first-out basis; however, the General Partner reserves the right to admit non-ERISA plan investors before ERISA plan investors in order for the Partnership to remain exempt from the application of the plan asset regulations issued by the Department of Labor in 1986. Upon admission to the Partnership, subscription funds will be released to the Partnership and units will be issued at the rate of \$1,000 per unit. Interest earned on subscription funds while in the subscription account will be returned to all subscribers.

By executing the subscription agreement, an investor unconditionally and irrevocably agrees to purchase the number of units shown thereon on a "**when issued basis.**" Accordingly, upon executing the subscription agreement, an investor is not yet an owner of units or a Limited Partner. Units will be issued when the investor is admitted to the Partnership. The General Partner anticipates that the delay between delivery of a subscription agreement and admission to the Partnership will be less than 90 days, during which time investors will not earn any interest. Subscription Agreements are non-cancelable and irrevocable and subscription funds are non-refundable for any reason, except with the consent of the General Partner. After having subscribed for at least 250 units (\$250,000), an investor may at any time, and from time to time, subscribe to purchase additional units in the Partnership so long as the offering is open. Each investor is liable for the payment of the full purchase price of all units for which he has subscribed.

An approved trustee or custodian must process and forward to us subscriptions made through IRAs, Keogh plans and 401(k) plans. In the case of investments through IRAs, Keogh plans and 401(k) plans, we will send the confirmation and notice of our acceptance to the trustee.

The Interest subscription price to each Limited Partner is One Thousand Dollars (\$1,000) per Interest with a minimum subscription from each Investor of Two Fifty Hundred Thousand Dollars (\$250,000), or 250 units. You should note that an investment in our Interests will not, in itself, create a retirement plan and that, in order to create a retirement plan, you must comply with all applicable provisions of the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder, or the Code.

## **IMPORTANT INFORMATION ABOUT THIS PRIVATE PLACEMENT MEMORANDUM**

Please carefully read the information in this private placement memorandum and any accompanying private placement memorandum supplements, which we refer to collectively as the private placement memorandum. You should rely only on the information contained in this private placement memorandum. We have not authorized anyone to provide you with different information. This private placement memorandum may only be used where it is legal to sell these securities. You should not assume that the information contained in this private placement memorandum is accurate as of any date later than the date hereof or such other dates as are stated herein or as of the respective dates of any documents or other information incorporated herein by reference.

Periodically, as we make material investments or have other material developments, we will provide a private placement memorandum supplement that may add, update or change information contained in this private placement memorandum. Any statement that we make in this private placement memorandum will be modified or superseded by any inconsistent statement made by us in a subsequent private placement memorandum supplement.

## SUMMARY

This Private Placement Memorandum Summary may not contain all the information that may be important to you. The following information is only a brief summary of, and is qualified in its entirety by, the detailed information appearing elsewhere in this private placement memorandum. The General Partner strongly recommends that each prospective Investor thoroughly review the entire private placement memorandum carefully, including the “**RISK FACTORS AND CONFLICTS OF INTEREST**” section, and the other information that is incorporated by reference into this private placement memorandum before making an investment decision.

1. Forentis Fund, LP is a newly organized California limited partnership formed to invest in portfolio companies and Spin-Off Corporation Investments. Our general partner is Forentis Partners, LLC. The Manager of our General Partner is Jay Goth. We are headquartered in Murrieta, California. Our principal executive offices are located at 26442 Beckman Court, Murrieta CA 92562. Our phone number is 951.676.6509. Our website address is [www.Forentis.com](http://www.Forentis.com). This website and the information contained on it or connected to it do not constitute a part of this prospectus. Ownership of Forentis Fund, LP: Forentis Partners, LLC owns 1 General Partner Interest representing 100% of the General Partner Interests and is entitled to certain fees for its services as General Partner. The Limited Partners shall receive 80% of the distributions available after the Limited Partners have received a return of their invested capital. (See “SUMMARY OF THE PARTNERSHIP AGREEMENT” on page 118.)
2. The Partnership is offering, on a continuous basis, up to 50,000 Interests. Generally, we will require a minimum investment of 250 Interests, or \$250,000 from individual and 5,000 Interests, or \$5,000,000 from institutions, but we reserve the right to waive this subscription minimum and accept a lesser amount from any investor. The offering price of the Interests was arbitrarily determined by the General Partner in its sole discretion. The price of the Interests does not bear any relationship to our assets, book value, net worth or other economic or recognized criteria of value. Interests will be offered and sold by the General Partner or by its duly authorized agents and employees directly to the public. There is no market for our Interests, and we do not expect one to develop. The Partnership’s business plan is intentionally flexible allowing the Partnership to do business by investing in the Portfolio Companies and financing the joint ventures and subsidiary relationships consummated by Blueprint or Emerald.
3. Our primary objective is to generate income from the investments made in the joint venture or subsidiary agreements made between Blueprint and Emerald and their JV Partners. We intend to invest up to \$7,500,000 into each Spin-Off Corporation, which is a result of the partnership between the JV Partner and the Portfolio Company. Our secondary objective is to obtain long term benefits from the increase in value or our investment in our Portfolio Companies.
4. The Partnership intends to invest Partnership funds for two (2) to seven (7) years with the intention of winding up the Partnership affairs in year seven. By then, all of the Limited Partners should have received a return of their initial investment.
5. Our General Partner and its affiliates, will receive substantial fees.
6. The Partnership does not have a withdrawal policy.
7. There are substantial restrictions on transferability of Interests. There is no existing market for the Interests. We do not anticipate that a secondary market for the Interests will develop. You will be able to transfer or pledge the Interests only with our prior written consent.
8. Limited partners will be supplied with an audited annual report and an annual statement of account.
9. The Interests will be issued in book entry or un-certificated form only.
10. Our Limited Partnership Agreement provides that the General Partner and Manager of the General Partner are entitled to indemnification by the Partnership for certain damages they suffer

in connection with the provision of services to us in their official capacities.

The interests of the General Partner, the Manager and the Limited Partners are not perfectly aligned. The Partnership may engage in the following activities without the approval of Limited Partners: (i) invest in the Portfolio Companies, subsidiaries and joint venture investment opportunities between Blueprint and Emerald and their respective JV Partners; (ii) participate in a DPO (direct public offering) or an IPO (initial public offering) of the resulting Spin-Off Corporation; (iii) invest in the securities of other issuers as deemed by the general manager to add value to the Portfolio Companies; (iv) invest in the securities of other issuers for the purpose of exercising control; (v) pay Limited Partners a distribution or a return of capital in the form of cash or marketable securities; and (vi) repurchase or otherwise re-acquire our Interests.

## **FREQUENTLY ASKED QUESTIONS**

### **How much money will you be raising?**

We will raise a maximum of \$50,000,000.

### **To whom will you offer the Interests?**

We will only offer Interests to Accredited Investors as defined in “**INVESTOR SUITABILITY STANDARDS.**”

### **Into what will you be investing my funds?**

Our investment strategy is to invest substantially all of the net proceeds from this offering in Blueprint Bio (“Blueprint”) and Emerald Logic (“Emerald”) (collectively, referred to as “**Portfolio Compan(y)ies**”) as well as the Spin-Off subsidiary companies or joint ventures of Blueprint and Emerald for two (2) to seven (7) years with the expectation to wind up the Partnership in year seven. The Portfolio Companies intend to enter into multiple joint venture agreements with a variety of joint venture partners (“**JV Partners**”) for the purposes of advanced diagnostics, treatments or drug development relating to a variety of medical conditions including, but not limited to, addiction, diseases and conditions related to the central nervous system, lung cancer, renal cancer, and rheumatoid arthritis. JV Partners may include universities, hospitals, research centers, and pharmaceutical companies. The Portfolio Companies, when paired with an appropriate JV Partner, may rescue failed clinical trials for a variety of drugs, assist with the discovery of new treatments for a variety of medical conditions, and help with the development of new diagnostics. The resulting Spin-Off from the partnership between the JV Partner and Portfolio Company will result in a new corporation in which the Partnership will invest up to \$7,500,000 (“**Spin-Off Corporation.**”)

### **What kind of distributions may I expect?**

The General Partner intends to pay Limited Partners their return of their Capital Contributions in the form of cash or marketable securities prior to making any other distributions. Thereafter, the Limited Partners will share in 80% of the cash and marketable securities available for distribution and the General Partner shall receive 20% of the cash and marketable securities available for distribution (See “**SUMMARY OF THE PARTNERSHIP AGREEMENT**” on page 96.) The marketable securities herein discussed shall be the resulting publicly registered shares from a resulting DPO or IPO of the Spin-Off Corporation(s). There is no guarantee that the Partnership or the Spin-Off Corporations will successfully publicly register the shares.

### **How will the Partnership decided on which Spin-Off Corporation Investments to place?**

The Partnership intends to establish an Investment Committee. The three (3) to nine (9) member Investment Committee will review to ascertain that each proposed Spin-Off Corporation is consistent with the policies and guidelines of the Partnership. At least a majority must approve a Spin-Off Corporation which fits the investing policies of the Partnership.

### **When will I get my money back?**

The General Partner expects to run the Partnership for two (2) to seven (7) years. The General Partner expects to invest Partnership available capital for up to two (2) years and run the Partnership for up to seven (7) years.

**May I invest less than \$250,000?**

The General Partner may accept Subscriptions for less than \$250,000 at their discretion.

**Who is the General Partner?**

The General Partner is Forentis Partners, LLC, a California limited liability company, and is managed by Jay Goth.

**Does the Partnership own any assets?**

Not yet. At the time of the drafting of this Private Placement Memorandum, the Partnership has not invested in Portfolio Companies or identified any potential Spin-Off Corporations. As the Partnership originates or acquires Portfolio Company or Spin-Off Corporation Investments, or enters into written contracts or enters into a Spin-Off Corporation Investment, the General Partner will supplement the offering.

**What kind of control will a member have over the Partnership and decision making?**

The Limited Partners will have little or no control. The limited partners will only be able to remove the General Partner with good cause. The General Partner will make all decisions regarding the operation of the Partnership.

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### EXHIBITS

Exhibit A – Spin-Off Corporation Investments

Exhibit B – Partnership Agreement

Exhibit C – Subscription Agreement

## **I. DISCLOSURE AND DISCLAIMERS**

**THIS PRIVATE PLACEMENT MEMORANDUM HAS BEEN PREPARED BY FORENTIS FUND, LP AND IS SUBMITTED SOLELY FOR THE PURPOSE OF EVALUATING THE INVESTMENT OFFERED HEREBY. NOTHING CONTAINED IN THIS PRIVATE PLACEMENT MEMORANDUM IS OR SHOULD BE RELIED UPON AS A GUARANTEE OR REPRESENTATION AS TO FUTURE EVENTS. MUCH OF THE INFORMATION CONTAINED HEREIN IS CONFIDENTIAL AND HAS NOT, AND WILL NOT BE PUBLICLY DISCLOSED. BY ACCEPTING THIS PRIVATE PLACEMENT MEMORANDUM, THE RECIPIENT AGREES NOT TO REPRODUCE THIS PRIVATE PLACEMENT MEMORANDUM, EITHER IN PART OR IN WHOLE, AND ITS USE IS PERMITTED ONLY BY THE PARTY IDENTIFIED ON THE COVER PAGE HEREOF FOR THE SOLE PURPOSE OF EVALUATING THE INVESTMENT OFFERED HEREBY. IF THE PARTY IDENTIFIED ON THE COVER PAGE HEREOF DECIDES NOT TO SUBSCRIBE FOR INTERESTS, THIS PRIVATE PLACEMENT MEMORANDUM MUST BE RETURNED TO FORENTIS FUND, LP.**

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED HEREIN AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION(S) MUST NOT BE RELIED ON AS HAVING BEEN AUTHORIZED BY FORENTIS FUND, LP. ANY PROSPECTIVE PURCHASER OF INTERESTS WHO RECEIVES ANY SUCH INFORMATION OR REPRESENTATIONS SHOULD CONTACT THE GENERAL PARTNER IMMEDIATELY TO CHECK ITS ACCURACY. FORENTIS FUND, LP WILL MAKE AVAILABLE TO PERSPECTIVE PURCHASERS, DURING THE OFFERING PERIOD, THE OPPORTUNITY TO ASK QUESTIONS AND RECEIVE ANSWERS FROM THE MANAGER OF THE GENERAL PARTNER OF FORENTIS FUND, LP CONCERNING ANY ASPECT OF THIS INVESTMENT AND TO OBTAIN ADDITIONAL INFORMATION CONCERNING THE BUSINESS OF FORENTIS FUND, LP. NEITHER THE DELIVERY OF THIS PRIVATE PLACEMENT MEMORANDUM NOR ANY SALES HEREUNDER SHALL UNDER ANY CIRCUMSTANCES CREATE AN IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE PARTNERSHIP SINCE THE DATE HEREOF.

THESE SECURITIES HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS (THE "ACT"), IN RELIANCE UPON THE EXEMPTION FROM REGISTRATION PROVIDED BY SECTION 4(2) OF THE ACT, RULE 506 OF REGULATION D PROMULGATED THEREUNDER AND SUCH OTHER EXEMPTIONS AS MAY BE AVAILABLE TO FORENTIS FUND, LP. FURTHER, THE SECURITIES HAVE NOT BEEN QUALIFIED OR REGISTERED UNDER THE LAWS OF ANY STATE OR JURISDICTION. DISTRIBUTION OF THIS PRIVATE PLACEMENT MEMORANDUM IS LIMITED TO PERSONS WHO MEET CERTAIN MINIMUM FINANCIAL QUALIFICATIONS. THIS PRIVATE PLACEMENT MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO SELL OR SOLICITATION OF AN OFFER TO BUY WITH RESPECT TO ANY PERSON WHOM DOES NOT MEET SUCH MINIMUM FINANCIAL QUALIFICATIONS.

PROJECTIONS ARE CONTAINED IN THIS PRIVATE PLACEMENT MEMORANDUM.

PROJECTIONS CAN BE INHERENTLY UNRELIABLE. (SEE "IV. RISK FACTORS AND CONFLICTS OF INTEREST.") ANY ASSUMPTIONS, PREDICTIONS OR PROMISES, WHETHER WRITTEN OR ORAL, WHICH DO NOT CONFORM TO THOSE IN THIS PRIVATE PLACEMENT MEMORANDUM SHOULD BE DISREGARDED AND THEIR USE IS A VIOLATION OF THE LAW.

NO INTERESTS MAY BE SOLD, ASSIGNED OR OTHERWISE TRANSFERRED UNLESS FORENTIS FUND, LP AND ITS LEGAL COUNSEL HAVE RECEIVED EVIDENCE SATISFACTORY TO BOTH THAT SUCH TRANSFER DOES NOT INVOLVE A TRANSACTION REQUIRING QUALIFICATION UNDER SAID STATE SECURITIES LAWS AND IS IN COMPLIANCE WITH SUCH LAW.

**THIS MEMORANDUM IS NOT KNOWN TO CONTAIN AN UNTRUE STATEMENT OF A MATERIAL FACT, NOR TO OMIT MATERIAL FACTS WHICH IF OMITTED, WOULD MAKE THE STATEMENTS HEREIN MISLEADING. IT CONTAINS A FAIR SUMMARY OF THE MATERIAL TERMS OF DOCUMENTS PURPORTED TO BE SUMMARIZED HEREIN.**

**HOWEVER, THIS IS A SUMMARY ONLY AND DOES NOT PURPORT TO BE COMPLETE. ACCORDINGLY, REFERENCE SHOULD BE MADE TO THE SUBSCRIPTION AGREEMENT AND OTHER AGREEMENTS AND DOCUMENTS, COPIES OF WHICH ARE ATTACHED HERETO OR WILL BE SUPPLIED UPON REQUEST, FOR THE EXACT TERMS OF SUCH AGREEMENTS AND DOCUMENTS.**

PROSPECTIVE INVESTORS ARE NOT TO CONSTRUE THE CONTENTS OF THIS MEMORANDUM OR OF ANY PRIOR OR SUBSEQUENT COMMUNICATIONS FROM FORENTIS FUND, LP OR ANY OF ITS EMPLOYEES OR PARTNERS, AS INVESTMENT, LEGAL OR TAX ADVICE. EACH INVESTOR SHOULD CONSULT HIS/HER OWN COUNSEL, ACCOUNTANT AND OTHER PROFESSIONAL ADVISORS AS TO LEGAL, TAX AND OTHER RELATED MATTERS CONCERNING HIS/HER INVESTMENT.

THE OFFEREE, BY ACCEPTING DELIVERY OF THIS MEMORANDUM, AGREES TO PROMPTLY RETURN THIS MEMORANDUM, AND ANY OTHER DOCUMENTS OR INFORMATION FURNISHED BY FORENTIS FUND, LP IF THE OFFEREE DOES NOT PURCHASE ANY OF FORENTIS FUND, LP INTERESTS OFFERED HEREBY. IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND THE RISKS INVOLVED.

THIS MEMORANDUM INVOLVES A VERY HIGH DEGREE OF RISK, AND THE PURCHASE OF PARTNERSHIP INTERESTS SHOULD ONLY BE CONSIDERED BY PERSONS WHO CAN AFFORD THE TOTAL LOSS OF THEIR INVESTMENT. (SEE "IV. RISK FACTORS AND CONFLICTS OF INTEREST.")

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## II. INVESTOR SUITABILITY STANDARDS

The Interests we are offering are suitable only as a long-term investment for persons of adequate financial means. It may be difficult for you to sell your Interests since we do not expect to have a public market for them. On a limited basis, you may be able to have Interests repurchased through our limited Interests repurchase program. You should not buy our Interests if you need to sell them immediately or if you will need to sell them quickly in the future.

Investors who wish to purchase these Interests as an “**Accredited**” investor must meet the following suitability standards as defined by SEC Rules 501; 17 CFR 230.501(a):

1. A natural person whose individual net worth or joint net worth with that person’s spouse, at the time of the purchase of the Interests, exceeds \$1,000,000, exclusive of primary residence; or
2. A natural person who had individual income in excess of \$200,000 in each of the two most recent years or joint income with that person’s spouse in excess of \$300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year.
3. A retirement fund, such as an Individual Retirement Account (IRA) or Self Employed Person (SEP) Retirement Account must have all of the beneficial owners meet one of the above standards. The beneficial owners may be either natural persons or other entities as long as each meet the definition of accredited to be deemed an Accredited Investor.
4. A bank, insurance company, registered investment company, business development company, or small business investment company; or
5. An employee benefit plan, within the meaning of the Employee Retirement Income Security Act, if a bank, insurance company, or registered investment adviser makes the investment decisions, or if the plan has total assets in excess of One Million Dollars (\$1,000,000); or
6. A charitable organization, corporation, or partnership with assets exceeding One Million Dollars (\$1,000,000); or
7. A director, executive officer, Manager or general partner of the company selling the securities; or
8. A business in which all the equity owners are accredited investors; or
9. A trust with assets in excess of One Million Dollars (\$1,000,000) that was not formed to acquire these Interests.

The General Partner intends on using general solicitation to market this Offering. Therefore, we are required to comply with Rule 506(c) in third party verification of the accredited investor status of any interested investor. Rule 506(c) sets forth a principles-based method of verification which requires an objective determination by the issuer (or those acting on its behalf) as to whether the steps taken are “**reasonable**” in the context of the particular facts and circumstances of each purchaser and transaction. Among the factors that an issuer should consider under this principles-based method are:

- the nature of the purchaser and the type of accredited investor that the purchaser claims to be;
- the amount and type of information that the issuer has about the purchaser; and
- the nature of the offering, such as the manner in which the purchaser was solicited to participate in the offering, and the terms of the offering, such as a minimum investment amount.

In addition to this flexible, principles-based method, Rule 506(c) includes a non-exclusive list of verification methods that issuers may use, but are not required to use, when seeking greater certainty that

they satisfy the verification requirement with respect to natural person purchasers. This non-exclusive list of verification methods consists of:

- verification based on income, by reviewing copies of any Internal Revenue Service form that reports income, such as Form W-2, Form 1099, Schedule K-1 of Form 1065, and a filed Form 1040;
- verification on net worth, by reviewing specific types of documentation dated within the prior three months, such as bank statements, brokerage statements, certificates of deposit, tax assessments and a credit report from at least one of the nationwide consumer reporting agencies, and obtaining a written representation from the investor; and/or
- a written confirmation from a registered broker-dealer, an SEC-registered investment adviser, a licensed attorney or a certified public accountant stating that such person or entity has taken reasonable steps to verify that the purchaser is an accredited investor within the last three months and has determined that such purchaser is an accredited investor.

In addition, the General Partner must ascertain, based on a review of the information provided by you, that a prospective investor can bear the economic risks of an investment in the Partnership, and that the investment is appropriate for the investor's investment objectives, portfolio structure, and financial situation; and that the investor has the capacity to protect their own interests in connection with the investment and will make the final decision to invest in the Partnership. We will consider:

- Meet the minimum income and net worth standards;
- Can reasonably benefit from an investment in our Interests based on your overall investment objectives and portfolio structure;
- Are able to bear the economic risk of the investment based on your net worth and overall financial situation; and
- Have an apparent understanding of:
  - The fundamental risks of an investment in our Interests;
  - The risk that you may lose your entire investment;
  - The lack of liquidity of our Interests;
  - The restrictions on transferability of our Interests;
  - The background and qualifications of our General Partner and its Manager; and
  - The tax, including ERISA, consequences of an investment in our Interests.

In consideration of these factors, we will take reasonable steps to verify that all purchasers of our Interests are accredited investors. We will objectively assess your eligibility in light of your particular facts and circumstances. We will use one of the following methods to verify your accredited investor status if you are a natural person:

- **Income Verification** – Two most recent years of tax returns filed with the IRS (including, without limitation, Form W-2, Form 1099, Schedule K-1 of Form 1065 and a copy of a filed Form 1040) showing your income (extraneous information may be redacted), together with your written representation that you have a reasonable expectation of reaching the necessary income level during the current year;

- **Net Worth Verification** – Third party statements, such as personal financial statements prepared by your certified public accountant, bank statements, brokerage statements, certificates of deposit, tax assessments or appraisal reports, dated within the prior three months, identifying the value of your assets and liabilities (including a credit report form from at least one national agency dated within the last three months), together with your written representation that all of your liabilities necessary to determining your net worth have been disclosed; or
- **Third Party Verification** – A written confirmation from a registered broker-dealer, an SEC registered investment advisor, a licensed attorney or certified public accountant that such person has taken reasonable steps to verify and determine that, within the prior three months, the individual is an accredited investor.

The General Partner has the absolute right, in its sole discretion, to accept or reject any subscription offer submitted to them and shall incur no liability for rejection of any prospective investor.

### **Subscriptions Subject to Review and Acceptance by the General Partner**

An investor who desires to invest in the Interests will complete the Subscription Agreement and other verification documents. This information will be reviewed by our third party escrow agent, FundAmerica. The General Partner will review these documents to ensure that all investors have attested that they meet the suitability standards established by the Partnership set forth in “II. Investor Suitability Standards” hereto, and that the Agreement has been appropriately signed. On the General Partner’s acceptance of a Subscription, subscription funds received from purchasers of Interests will not be admitted to the Partnership until Spin-Off Corporation Investment opportunities are available or such funds are required to pay Partnership expenses, as described herein. During the period prior to the time of admission, which is anticipated to be less than 90 days in most cases, purchasers’ subscriptions will remain irrevocable and will earn interest at money market rates, which are lower than the anticipated return on the Partnership’s Spin-Off Corporation Investments. Documents received by prospective members who do not meet the Investor Suitability Standards established by the General Partner as outlined above, or which have been improperly completed, will be promptly returned.

The General Partner will indicate acceptance of the Subscription in writing by returning fully executed copies of signature pages from the Subscription Agreement and Partnership Agreement showing the amount or number of Interests to be purchased in the Partnership once admitted. Prior to acceptance, the General Partner reserves the right to refuse a Subscription from any prospective investor at the General Partner’s sole discretion.

### **ERISA Considerations**

Please see our Section “ERISA CONSIDERATIONS.”

### **Restrictions Imposed by the USA PATRIOT Act and Related Acts**

Interests may not be offered, sold, transferred or delivered, directly or indirectly, to any “**Sanctioned**

**Person,**” a term which is defined for purposes of this Memorandum as any person who:

- is named on the list of “**pecially designated nationals**” or “**blocked persons**” maintained by the U.S. Office of Foreign Assets Control (“**OFAC**”) at <http://www.treas.gov/offices/eotffc/ofac/sdn/index.html>, or as otherwise published from time to time; and an agency of the government of a Sanctioned Country, (2) an organization controlled by a Sanctioned Country, or (3) a person resident in a Sanctioned Country, to the extent subject to a sanctions program administered by OFAC. A “**Sanctioned Country**” shall mean a country subject to a sanctions program identified on the list maintained by OFAC and available at the following location <http://www.treas.gov/offices/eotffc/ofac/sanctions/index.html>, or as otherwise published from time to time.

In addition, Interests may not be offered, sold, transferred or delivered, directly or indirectly, to any person who:

- has more than 15% of its assets in Sanctioned Countries; or
- derives more than 15% of its operating income from investments in, or transactions with Sanctioned Persons or Sanctioned Countries.

Representations with respect to the foregoing and certain other matters will be made by each investor in the Instructions to Investors and Subscription Booklet attached hereto. The Partnership will rely on the accuracy of each investor’s representations set forth in the Instructions to Investors and Subscription Agreement and may require additional evidence that an investor satisfies the applicable standards at any time prior to the acceptance of an investor’s subscription. An investor is not obligated to supply any information so requested by the Partnership, but the Partnership may reject a subscription from any investor who fails to supply any information so requested.

IF YOU DO NOT MEET THE REQUIREMENTS DESCRIBED ABOVE, DO NOT READ FURTHER AND IMMEDIATELY RETURN THIS MEMORANDUM TO FORENTIS FUND, LP, 26442 BECKMAN COURT, MURRIETA, CA 92562. ATTENTION: JAY GOTH IN THE EVENT YOU DO NOT MEET SUCH REQUIREMENTS, THIS MEMORANDUM SHALL NOT CONSTITUTE AN OFFER TO SELL INTERESTS TO YOU.

#### **Methods to Assure Adherence to Investor Suitability Standards**

Investors who are interested in purchasing Interests will be required to complete an **Accredited Investor Questionnaire and Verification** and submit it to FundAmerica and the General Partner along with their **Subscription Agreement**.

### **III. TERMS OF THE OFFERING**

Interests may be purchased by new investors that meet the Investor Suitability Standards set forth above. The Interest subscription price for all investors is \$1,000 per Interest. Each Interest of investment represents a \$1,000 Limited Partnership Interest in the Partnership.

#### **Formation of the Partnership; Minimum – Maximum Offering**

The Partnership was formed in March 2016, upon the filing of the Articles of Organization with the Office of the Secretary of State in California; however, the Partnership will not begin doing business (i.e. purchasing assets) until the minimum 2,000 Interests are sold.

The maximum capitalization of the Partnership, exclusive of the Initial Capital, is \$50,000,000 (50,000 Interests) with a minimum of \$2,000,000 (2,000 Interests). The maximum may be increased by the General Partner at any time. This offering may also be terminated at the option of the General Partner at any time, but in no event later than one year from the date of this Offering Circular. In the event subscriptions for at least 2,000 Interests are not received on or before the expiration date (as extended, if at all) of such permit, the offering will terminate and all subscription funds received to date will be returned to investors.

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#### **IV. RISK FACTORS AND CONFLICTS OF INTEREST**

INVESTORS SHOULD BE AWARE THAT THE INTERESTS ARE SPECULATIVE AND INVOLVE A HIGH DEGREE OF RISK. INVESTORS SHOULD CAREFULLY READ THIS MEMORANDUM PRIOR TO MAKING AN INVESTMENT IN THE INTERESTS.

Any investment in the Interests involves a significant degree of risk and is suitable only for investors who have no need for liquidity in their investments or who can bear the loss of their entire investment. Each prospective investor should consider carefully, the following risks and those discussed in the sections “IX. COMPENSATION TO THE GENERAL PARTNER AND ITS AFFILIATES” and “XII. FEDERAL INCOME TAX CONSEQUENCES,” and should consult with his or her own legal, tax, and financial advisors with respect thereto prior to investing in the Interests. These risks represent only some of the risks involved in connection with an investment in the Interests. Additionally, changes in circumstances with respect to our borrowers, our Properties or the general economic climate may exacerbate existing risks or create new risks. If any of these risks actually occur, the business, financial condition and operating results of the Partnership could be materially adversely affected.

##### **Risks Related to the Interests and this Offering**

###### **The Interests may not be suitable for certain investors.**

The Interests may not be a suitable investment for you. Prospective investors are encouraged to meet with and obtain more information regarding the Interests from representatives of the Partnership, who will make available such information for prospective investors. In addition, prospective investors should consult with their own financial, legal and tax advisors prior to investing in the Partnership. The characteristics of the Interests, including lack of liquidity, may not satisfy your investment objectives. The Interests may not be a suitable investment for you based on your ability to withstand a loss of profit or principal or other aspects of your financial situation, including your income, net worth, financial needs, investment risk profile, return objectives, investment experience and other factors. Prior to purchasing any Interests, you should consider your investment allocation with respect to the amount of your contemplated investment in the Interests in relation to your other investment holdings and the diversity of those holdings. Each investor will be required to represent to the Partnership as to such investor’s qualifications to invest in the Interests and to acknowledge that such investor has had the opportunity to ask questions and receive information sufficient to support its investment decision. Each investor also will be required to represent that it is able to bear the risk of loss of all its investment. The Partnership will rely upon the truth and accuracy of these representations.

**This is a fixed price offering, and the offering price of our Interests was not established on an independent basis; therefore, as it was arbitrarily determined, the fixed offering price will not accurately represent the actual market value of its Interests. The market value of an Interest purchased by an investor may be substantially less than what the investor has paid.**

This is a fixed price offering, which means that the offering price for our Interests is fixed and will not vary during the offering or be based on the underlying value of its assets. We arbitrarily determined the offering price in our sole discretion. We do not intend to adjust the offering price during this offering even after we acquire assets and, therefore, the fixed offering price established for our Interests will not accurately represent the actual market value of our Interests and may be substantially less than what an investor pays. Our offering price is not indicative of either the price at which our

Interests would trade if they were listed on an exchange or actively traded by brokers or of the proceeds that a stockholder would receive if the Partnership were liquidated or dissolved.

**The Interests will be an illiquid investment and no trading market for Interests exists or will ever develop.**

The Interests are being offered and sold in reliance upon the exemption from the registration requirements of the Securities Act of 1933 afforded by Regulation D, Rule 506. Accordingly, transferability of the Interests is restricted under the Securities Act and by provisions of applicable state securities laws. The Interests may not be sold or transferred by an investor in the absence of an effective registration statement under the Securities Act and applicable state securities laws or an opinion of counsel acceptable to the General Partner, the Partnership and its counsel that registration is not required. The Partnership does not intend to file a registration statement under the Securities Act to provide for a public resale of the Interests. There is currently no trading market for the Interests and it is not anticipated that a trading market will ever develop. Accordingly, even in the absence of the foregoing restrictions on transfer, it is unlikely that an investor will be able to readily dispose of the Interests or pledge the Interests as collateral for a loan. Consequently, the Interests are suitable only for long-term investment by persons with no need for liquidity and who can absorb the loss of their entire investment. Further, subject to certain limited exceptions, any proposed transfer of an Interest, as representing an interest in the Partnership, requires the approval of the General Partner under the terms of the Partnership Agreement. The General Partner may refuse any request for its consent to a transfer of Interests in its sole discretion. The transfer of Interests is subject to prior compliance with or exemption from applicable securities laws and the condition that the transfers will not result in a termination of the Partnership for federal income tax purposes or otherwise adversely affect the tax status of the Partnership. The refusal of the General Partner to make a “Section 754 Election” to adjust the basis of Partnership property upon a transfer of a Limited Partner’s Interests may create adverse tax consequences to the transferee and thereby pose an additional impediment to the transferability of the Interests. There is no guarantee that the General Partner will consent to any proposed transfer of Interests, even in the event that such transfer is not in violation of applicable securities laws.

**Our General Partner and its Manager have broad discretion over the use of proceeds from the offering.**

We expect to use the proceeds from the offering to invest in Portfolio Companies and Spin-Off Corporation Investments and for other general corporate purposes, which may include the payment of general and administrative expenses. Our General Partner will have broad discretion in determining how the proceeds of the offering will be used. You could lose your entire investment if our General Partner invests our funds in unsuccessful initiatives.

**The Limited Partners will have limited rights.**

Limited Partners will be unable to exercise any management functions with respect to the Partnership. The rights and obligations of the Limited Partners are governed by the provisions of the California Revised Uniform Limited Partnership Act and other applicable California statutes and by the Partnership Agreement. Further, the General Partner may only be removed for cause by the affirmative vote of Limited Partners holding 75% of the interests, provided that the General Partner shall not be removed except for breach of fiduciary duty, willful or wanton misconduct or gross negligence, and subject to the return and cancellation of any guaranties provided to creditors of the Partnership by the General Partner or any of the General Partner’s Manager. As such, Limited Partners will have limited rights to remove the General Partner.

**Limited Partners' potential liability to creditors will be limited to the Capital Contribution of the Limited Partner.**

A Limited Partner's liability to creditors of the Partnership would be limited to the Limited Partner's Capital Contribution and undistributed profits. However, if a Limited Partner has received a return of his, her or its Capital Contribution, such Limited Partner may be required by the California Revised Uniform Limited Partnership Act and other applicable California statutes to make a contribution of the returned Capital Contribution to the Partnership to the extent necessary to discharge certain of the Partnership's liabilities to creditors.

**Payment of fees or distributions to our General Partner will reduce cash available for investment, distributions to Limited Partners, and the repurchase of any Interests held by Limited Partners, increasing the risk that you will not be able to recover the amount of your investment.**

Our General Partner will perform services for us in connection with the selection, acquisition, and administration of our investments. Our General Partner could be paid substantial distributions. Our General Partner could be paid substantial fees for their services. The payment of fees or distributions will reduce the amount of cash available for investment, distributions to Limited Partners and the repurchase of Interests held by Limited Partners.

**Investment Delays**

There will be a delay between the time Interests are sold and the time purchasers of Interests are admitted to the Partnership and begin to participate in the investment yield being realized by the Partnership on its Investments portfolio. During the period, proceeds from the sale of Interests will be invested in short term certificates of deposit, money market funds or other liquid assets which will not yield a return as high as the anticipated return to be earned by the Partnership on its Spin-Off Corporation Investment portfolio. This delay, which is anticipated to be less than 90 days in most cases, will dilute the overall investment return to Limited Partners.

**This offering is being conducted on a "best efforts" basis, and the risk that we will not be able to accomplish our business objectives, and that the poor performance of a single investment will materially adversely affect our overall investment performance, will increase if only a small number of our Interests are purchased in this offering.**

Our Interests are being offered on a "best efforts" basis and no individual, firm or corporation has agreed to purchase any Interests in this offering. As a result, if we raise only the minimum amount of proceeds, we will be inadequately financed and will not be able to achieve a broadly diversified portfolio. Even if we meet the minimum offering requirements, we may sell fewer than all of our Interests being offered in this offering. If we are unable to sell all of our Interests being offered in this offering, we will make fewer investments, resulting in less diversification in terms of the numbers and types of investments we own and the areas in which our investments or the properties underlying our investments are located which would make it more difficult for us to accomplish our business objectives. Further, it is likely that in our early stages of growth we may not be able to achieve portfolio diversification consistent with our longer-term investment objectives, increasing the likelihood that any single investment's poor performance would materially affect our overall investment performance. Our inability to raise substantial funds would also increase our fixed operating expenses as a percentage of gross income. Each of these factors could have an adverse effect on our financial condition and ability to pay distributions to Limited Partners or to repurchase the Interests held by Limited Partners.

**This is a blind pool offering. Investors will not have an opportunity to evaluate our investments before they are made increasing the speculation of the investment.**

We have identified the Portfolio Companies and have been researching potential Spin-Off Corporations, but have not specifically identified any such Spin-Off Corporations to date. We will attempt to invest substantially all of the offering proceeds available for investment, after the payment of fees and expenses in Portfolio Company and Spin-Off Corporation Investments that meets the Partnership's investment objectives. However, because investors will be unable to evaluate the economic merit of assets before we invest in them, investors will have to rely entirely on the ability of our General Partner to select suitable and successful investment opportunities. Furthermore, our General Partner will have broad discretion in implementing our investment strategy, objectives and policies and investors will not have the opportunity to evaluate potential investments. These factors increase the risk that investments made by us using the net proceeds of the Offering will produce a return on our investment or will generate any operating cash flow to enable us to make distributions to our Limited Partners.

**We may not meet the minimum offering requirements for this offering; therefore, investors may not have access to their funds for one year from the date of this prospectus.**

If the minimum offering requirement of \$2,000,000 is not met within one year from the date of this prospectus, this offering will terminate and subscribers who have delivered their funds into escrow will not have access to those funds until such time. In addition, subscribers may not receive any interest on their invested funds delivered into escrow.

### **Size of the Offering**

There is no assurance that the Partnership will obtain capital contributions equal to the maximum amount of the offering. Receipt of capital contributions of less than the maximum amount will reduce the ability of the Partnership to spread investment risks through diversification of its investment portfolio; however, in the opinion of the General Partner there will be no other material limitation on the Partnership's operation if less than the maximum proceeds are raised.

**We are not and do not plan to be registered as an investment company under the Investment Company Act, and therefore we will not be subject to the requirements imposed by the Investment Company Act; maintaining an exemption from registration may limit or otherwise affect our investment choices.**

Neither we nor any of our future subsidiaries are registered or intend to register as an investment company under the Investment Company Act. If we were obligated to register as an investment company, we would have to comply with a variety of substantive requirements under the Investment Company Act that impose, among other things:

- limitations on capital structure;
- restrictions on specified investments;
- prohibitions on transactions with affiliates; and
- compliance with reporting, record keeping, voting, proxy disclosure and other rules and regulations that would significantly increase its operating expenses.

We expect that we and any of our future subsidiaries will rely on the exception from the definition of an investment company under Section 3c(1) of the Investment Company Act, which is available for entities whose **“outstanding securities (other than short-term paper) are beneficially**

**owned by not more than one hundred persons and which is not making and does not presently propose to make a public offering of its securities.”** Until such time we have 100 limited partners, we will rely on the exemption available under Section 3(c)(1). Thereafter, we may find it necessary to register under the Investment Company Act of 1940.

### **Indemnification Obligations**

The Partnership is obligated to indemnify the General Partner and its affiliates and agents against certain civil liabilities, guaranties provided to creditors of the Partnership by the General Partner or its Manager, including Jay Goth, and certain other potential liabilities. If the Partnership were required to indemnify the General Partner or such other parties, the Partnership would have to expend the Partnership capital, thereby reducing the amount of funds available for use in the Partnership to invest or to distribute to the Limited Partners.

**Our rights and the rights of the Limited Partners to recover claims against our General Partner, its Manager and employees are limited, which could reduce any recovery against them if they negligently cause us or the Limited Partners losses.**

Our Limited Partnership Agreement generally provides that our General Partner, nor its Manager, will be liable to us or to Limited Partners for monetary damages and we must generally indemnify our General Partner and its Manager, unless, they are grossly negligent or engage in willful misconduct. We and the Limited Partners may have more limited rights against our General Partner and its Manager and employees than might otherwise exist under common law, which could reduce recovery by us or the Limited Partners from these persons if they act in a negligent manner. In addition, we may be obligated to fund the defense costs incurred by our General Partner, its Manager in some cases, which would decrease the cash otherwise available to pay distributions to Limited Partners or to repurchase Limited Partner Interests.

### **The General Partner has only a nominal net worth.**

The General Partner is nominally capitalized. Although such entity is generally liable for the debts of the Partnership, it is not anticipated to have the ability to contribute additional funds should the need arise. Accordingly, Limited Partners must rely solely upon the operating results of the Partnership and the Partnership Investments for the success of their individual investments.

### **Projections are speculative and are based upon a number of assumptions.**

Any projected financial results prepared by the Partnership have not been independently reviewed, analyzed, or otherwise passed upon. Such “**forward-looking**” statements are based on various assumptions of the Partnership, which assumptions may prove to be incorrect. Accordingly, there can be no assurance that such projections, assumptions and statements will accurately predict future events or actual performance. Any projections of cash flow and all other materials or documents supplied by the General Partner should be considered speculative and are qualified in their entirety by the assumptions, information and risks disclosed in this Offering. Investors are advised to consult with their own independent tax and business advisors concerning the validity and reasonableness of the factual, accounting and tax assumptions. No representations or warranties whatsoever are made by the General Partner, its affiliates or any other person or entity as to the future profitability of the Interests or the results of making an investment in the Interests.

### **No Guarantee of Distributions**

Limited Partners may not receive any cash distributions. Further, the Limited Partners may be allocated profits, resulting in taxable income to such Partners, but not receive any distributions from the Partnership to pay such taxes.

### **Risks Related to Our Business**

**We remind you that there are substantial risk factors relating to our business generally.**

Our business, operating results and financial condition could be adversely affected by any of the following specific risks. In addition to the risks described below, we may encounter risks that are not currently known to us or that we currently deem immaterial, which may also impair our business operations.

**The Partnership is a recently formed entity with a limited operating history and no assurance of success.**

The Partnership is a recently formed entity and we have generated no revenues. There is nothing at this time on which to base an assumption that our business operations will prove to be successful or that we will ever be able to operate profitably. Our future operating results will depend on many factors, including our ability to raise adequate working capital, demand for our loan products, the quality of our Investments, the level of our competition and our ability to attract and maintain key management and employees. Our ability to continue as a going concern is dependent upon our ability to raise additional capital from the sale of Interests and, ultimately, the achievement of significant operating revenues. If we are unable to continue as a going concern, you will lose your investment. You should not invest in this offering unless you can afford to lose your entire investment.

**We currently have not issued any commitments to make any Portfolio Company or Spin-Off Corporation Investments.**

We currently do not have any Spin-Off Corporation Investments. We do not have any commitments outstanding to fund any Spin-Off Corporation Investments.

**Our success is dependent on the performance of our General Partner, as well as individuals that are affiliates of our Manager.**

Our ability to achieve our investment objectives is dependent upon the performance of our General Partner, its Manager and its key employees in the management of our investments and operation of our day-to-day activities. You will have no opportunity to evaluate the terms of transactions or other economic or financial data concerning our investments. We rely entirely on the management ability of our General Partner and its Manager. The General Partner and its Manager are not required to provide any specific or dedicated personnel to managing our business, nor are they required to dedicate any specific amount of time to our business. If the General Partner, its Manager, or its affiliates suffers or are distracted by adverse financial or operational problems in connection with its operations unrelated to us, the General Partner and its Manager may be unable to allocate time and/or resources to our operations. If the General Partner or its Manager are unable to allocate sufficient resources to oversee and perform our operations for any reason, we may be unable to achieve our investment objectives.

**Any adverse changes in our relationship with our General Partner, or in the financial health of our General Partner, could hinder our operating performance.**

We have engaged our General Partner to manage our operations and our portfolio of Spin-Off Corporation Investments. Our ability to achieve our investment objectives and to pay distributions to Limited Partners is dependent upon the performance of our General Partner. We will depend upon our General Partner to identify and acquire Spin-Off Corporation Investments on our behalf, the negotiation of financing, and management of our assets and daily operations. Any adverse change in our relationship with our General Partner or their financial condition could hinder their ability to successfully manage our operations.

**We depend on key personnel, the loss of any of whom could be detrimental to our business.**

Our success depends to a significant degree upon the continued contributions of Jay Goth who would be difficult to replace. If he was to end his relationship with us, our operating results could suffer. We also believe that our future success depends, in large part, upon our ability, and the ability of our General Partner to attract and retain highly skilled managerial, operational and marketing personnel. We cannot assure you that our General Partner will be successful in attracting and retaining such personnel.

**The loss of or the inability to obtain key finance and securities professionals by our General Partner could delay or hinder implementation of our investment strategies.**

Our success depends to a significant degree upon the contributions of Jay Goth who would be difficult to replace. Jay Goth has significant business development experience and knowledge. Our future operating results depend in significant part upon the Jay Goth, who is not bound by an employment agreement and may not remain associated with us as Manager of our General Partner. Our operating results could suffer if they were to cease his association with us.

Our future success will depend upon the ability of Jay Goth to attract and retain highly skilled managerial, operational and marketing professionals. Competition for these professionals is intense and they may be unsuccessful in attracting and retaining these professionals. We cannot assure you that we will be successful in attracting or retaining such personnel. The loss of any key employee, the failure of any key employee to perform in his or her current position or our inability to attract and retain skilled employees, as needed, could materially and adversely affect our results of operations, financial condition and cash flows.

**We need a substantial amount of liquidity to operate our business.**

We may not be able to obtain sufficient funding for our future operations from internally generated cash flows, in addition to, possible funding from commercial banks, or other sources. We are a newly formed entity and our access to the capital markets and commercial bank financing will be impaired due to a lack of operating history and established earnings. As a consequence, our results of operations, financial condition and cash flows will be materially and adversely affected if we are unable to secure financing to acquire Spin-Off Corporation Investments and pay our general and administrative expenses.

We require a substantial amount of cash liquidity to operate our business. Among other things, we use such cash liquidity to:

- Acquire and originate Portfolio Company and Spin-Off Corporation Investments; satisfy working capital requirements and pay operating expenses;
- pay taxes;
- pay interest expense; and
- provide for the expenses related to a DPO or IPO to realize returns on our Spin-Off Corporation Investments.

We attempt to match the maturities of our funding obligations with the estimated holding periods of our investments. There can be no assurance that we will be successful in being able to fund our Spin-Off Corporation Investments with match maturity funding.

**Payment of fees, distributions and expense reimbursements to the General Partner and its affiliates will reduce cash available for investment and for distribution to our limited partners.**

The General Partner and its affiliates perform services for us in connection with the offer and sale of our Interests, the management of our investments, and administrative and other services. The General Partner is paid acquisition, asset management, and disposition fees, and other administrative costs for these services pursuant to the Limited Partnership Agreement. These fees, distributions and expense reimbursements are substantial and reduce the amount of cash available for investment and distribution to our limited partners.

**Negative publicity associated with litigation, governmental investigations, regulatory actions, and other public statements could damage our reputation or one of our Portfolio Company's reputations.**

From time to time there are negative news stories about the biotech industry. Such stories may follow the announcements of litigation or regulatory actions involving us or others in our industry. Negative publicity about our alleged or actual practices or about our industry generally could adversely affect our business operations or those of our Portfolio Companies.

**Risks Associated with Joint Ventures/Portfolio Companies**

**If the utility of our Portfolio Companies technologies, which include data analytics and solutions in development is not supported by studies published in peer-reviewed medical publications, the rate of adoption of our current and future solutions and the rate of reimbursement of the Portfolio Company/JV Partner (Spin-Off Corporation) future products by third-party payors may be negatively affected.**

We anticipate that the Portfolio Companies will need to maintain a continued presence in peer-reviewed publications to promote adoption of their solutions by biopharmaceutical companies, academic institutions and molecular labs and to promote favorable coverage and reimbursement decisions. We believe that peer-reviewed journal articles that provide evidence of the utility of our current and future solutions or the technology underlying the JV Partner and Portfolio Company's current and future solutions are important to their and thus, our, commercial success. It is critical to the success of our sales efforts that we educate a sufficient number of clinicians and administrators about the resulting products and services as an end result of Spin-Off Corporations and demonstrate the clinical and commercial benefits of these solutions. Our customers may not adopt our current and future solutions, and third-party payors may not cover or adequately reimburse our future products, unless they determine, based on published peer-reviewed journal articles and the experience of other researchers and clinicians, that our system and related applications provide accurate, reliable and cost-effective information that is useful in

making informed and timely treatment decisions. Peer-reviewed publications regarding our platform and solutions may be limited by many factors, including delays in the completion of, poor design of, or lack of compelling data from studies that would be the subject of the article. If Spin-Off Corporation solutions do not receive sufficient favorable exposure in peer-reviewed publications, the rate of research and clinician adoption and positive coverage and reimbursement decisions could be negatively affected.

**The strategy of developing companion diagnostic products may require large investments in working capital and may not generate any revenues.**

A key component of our strategy is the development of companion diagnostic products designed to determine the appropriate patient population for administration of a particular medication, to more successfully treat a variety of illnesses. Successfully developing a companion diagnostic product depends both on regulatory approval for administration of the therapeutic, as well as regulatory approval of the diagnostic product. The Spin-Off Corporations may be successful in developing products that would be useful as companion diagnostic products, and potentially receive regulatory approval for such products, however the biopharmaceutical companies that develop the corresponding therapeutics may select a competing technology to use in their regulatory submission instead of the Spin-Off Corporations'. The development of companion diagnostic products requires a significant investment of working capital which may not result in any future income. This could require us to raise additional funds which could dilute our current investors, or could impact our ability to continue our operations in the future.

**Our current business depends on levels of research and development spending by academic and governmental research institutions and biopharmaceutical companies, a reduction in which could limit demand for our products and adversely affect our business and operating results.**

Our revenue will be derived initially from the DPO or IPO of the Spin-Off Corporations. Their income will be derived from the development of custom diagnostic models, courses of treatment and drug development for biopharmaceutical companies, academic institutions and molecular labs worldwide for research and commercial applications. The demand for products will depend in part upon the research and development budgets of these customers, which are impacted by factors beyond our control, such as:

- changes in government programs that provide funding to research institutions and companies;
- macroeconomic conditions and the political climate;
- changes in the regulatory environment;
- differences in budgetary cycles;
- market-driven pressures to consolidate operations and reduce costs; and
- market acceptance of relatively new technologies, such as the Spin-Off Corporations'.

We believe that any uncertainty regarding the availability of research funding or reimbursements may adversely affect Spin-Off Corporations operating results, and may adversely affect sales to customers or potential customers.

Spin-Off Corporations' operating results may fluctuate substantially due to reductions and delays in research and development expenditures by these customers. Any decrease in customers' budgets or expenditures, or in the size, scope or frequency of capital or operating expenditures, could materially and adversely affect the Spin-Off Corporation, and thus, our business, operating results and financial condition.

**If our Spin-Off Corporations do not achieve projected development goals in the time frames we announce and expect, the commercialization of their products may be delayed and, as a result, their value may decline.**

From time to time, an estimate is made of the timing of the accomplishment of various scientific, clinical, regulatory and other product development goals. These goals may include the commencement or completion of clinical trials and the submission of regulatory filings. From time to time, our Corporations may publicly announce the expected timing of some of these goals. For example, they may state that, contingent upon successful completion of the larger trial, they plan to submit a 510(k) notification seeking premarket clearance for a proprietary solution, and that they anticipate commercializing the solution in the United States, subject to the successful completion of the U.S. registration trial and submission and clearance by the FDA of a *de novo* 510(k) for the Kit.

**If the Spin-Off Corporations, the JV Partners, or the Portfolio Companies do not obtain regulatory clearance or approval to market their products for commercial and diagnostic purposes, they will be limited to marketing their resulting products for research use only. In addition, if regulatory limitations are placed on their diagnostic products their business and growth will be harmed.**

We intend on investing in several types of business models, however, some models or Spin-Off Corporations may be subject to this particular risk factor. The Spin-Off Corporations may be limited to marketing their products for research use only, which means that they cannot make any diagnostic or clinical claims. Part of the investment by the Partnership is intended to be so that the Portfolio Companies may seek regulatory clearances or approvals in the United States and other jurisdictions to market products for commercial purposes; however, they may not be successful in doing so. The FDA regulates diagnostic kits sold and distributed through interstate commerce in the United States as medical devices. Unless an exemption applies, generally, before a new medical device may be sold or distributed in the United States, or may be marketed for a new use in the United States, the medical device must receive either FDA clearance of a 510(k) pre-market notification or pre-market approval. As a result, before a Spin-Off Corporation can market or distribute our profiling panels, in the United States for use by clinical testing laboratories, the Spin-Off Corporation must first obtain pre-market clearance or pre-market approval from the FDA.

Once the Spin-Off Corporation completes the requisite clinical validations and submit an application, they may not receive FDA clearance or approval for the commercial use of the tests on a timely basis, or at all. If the Spin-Off Corporations are unable to obtain regulatory clearance or approval, or if clinical diagnostic laboratories do not accept their cleared or approved tests, their ability to grow could be compromised.

Similarly, foreign countries have either implemented or are in the process of implementing increased regulatory controls that require that we submit applications for review and approval by foreign regulatory bodies. Once the Spin-Off Corporation applies, they may not receive approval for the commercial use of our tests on a timely basis, or at all. If they are unable to achieve appropriate ex-U.S. approvals, or if clinical diagnostic laboratories outside the United States do not accept Spin-Off Corporation products, the ability to grow outside of the United States could be compromised.

**If the Spin-Off Corporation's proprietary products fail to achieve and sustain sufficient market acceptance, we will not generate expected revenue, and our prospects may be harmed.**

We are currently focused on discovering and commercializing biologic discoveries within the life sciences market. Each Spin-Off Corporation plans to develop various products for diagnosis, treatment or cure for a different disease states including companion diagnostics to determine the proper course of

medication for those diseases or the predictability of the existence of a particular disease or diagnosis. A Spin-Off Corporation may experience reluctance, or refusal, on the part of physicians to order, and third-party payors to cover and provide adequate reimbursement for, products if the results of research and clinical studies, and sales and marketing activities relating to communication of these results, do not convey to physicians, third-party payors and patients that the related products provide equivalent or better results than other available technologies and methodologies. We believe the resulting Spin-Off Corporation panels will represent a new methodology in diagnosing and treating disease states, and we may have to overcome resistance among physicians to adopting it for the marketing of Spin-Off Corporation products to be successful. Even if Spin-Off Corporations are able to obtain regulatory approval from the FDA, the use of these products may not become the standard of care for those diseases on which the Spin-Off Corporations individually plan to focus their efforts. A portion of the strategy is to develop diagnostic tools in conjunction with biopharmaceutical companies to help assess the proper course of treatment for specific diseases. Even if (a) Spin-Off Corporation(s) is(are) successful in developing those diagnostic tools and receive regulatory approval, they still may not be successful in marketing those diagnostic tests. Furthermore, certain biopharmaceutical partners may choose alternative diagnostic tests to market with their products instead of one of the Portfolio Company(ies)'s which could limit diagnostic test sales and revenues.

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## **Risks Associated With Spin-Off Corporation Investments**

**We will rely on information provided by others which may prove inaccurate, incomplete or intentionally false.**

The success of our Spin-Off Corporation Investments will depend, among other things, on an accurate assessment Spin-Off Corporation Investments. While the General Partner will make an investigation regarding the business plan and agreement of the Spin-Off Corporation Investments, it will rely to some extent on the Portfolio Company and the JV Partner itself to provide the information upon which the General Partner will base its decision to make a Spin-Off Corporation Investment. The General Partner will not always verify the intention for the use of Spin-Off Corporation Investment proceeds. The General Partner will request key information from the JV Partner and Portfolio Company for review. There is no guarantee that this information will be accurate. You may lose all or part of your investment in the Partnership if the General Partner or you rely on false, misleading or unverified information supplied by a JV Partner or Portfolio in a decision to invest capital in a Spin-Off Corporation Investment.

## **Risks Related to Employee Benefit Plans and IRAs**

We, and our investors that have employee benefit plans or IRAs, will be subject to risks relating specifically to our having employee benefit plans as limited partners, which risks are discussed below.

**There are special considerations for pension or profit-sharing or 401(k) plans, health or welfare plans or individual retirement accounts whose assets are being invested in our Interests.**

If you are investing the assets of a pension, profit sharing or 401(k) plan, health or welfare plan, or an IRA in us, you should consider:

- whether your investment is consistent with the applicable provisions of ERISA and the Internal Revenue Code, or any other applicable governing authority in the case of a government plan;
- whether your investment is made in accordance with the documents and instruments governing your plan or IRA, including your plan's investment policy;
- whether your investment satisfies the prudence and diversification requirements of Sections 404(a)(1)(B) and 404(a)(1)(C) of ERISA;
- whether your investment will impair the liquidity of the plan or IRA;
- whether your investment will produce unrelated business taxable income, as defined in Sections 511 through 514 of the Internal Revenue Code, to the plan; and
- your need to value the assets of the plan annually.

You also should consider whether your investment in us will cause some or all of our assets to be considered assets of an employee benefit plan or IRA. We do not believe that under ERISA or U.S. Department of Labor regulations currently in effect that our assets would be treated as “**plan assets**” for purposes of ERISA. However, if our assets were considered to be plan assets, transactions involving our assets would be subject to ERISA and/or Section 4975 of the Internal Revenue Code, and some of the transactions we have entered into with the General Partner and its affiliates could be considered “**prohibited transactions**” under ERISA and/or the Internal Revenue Code. If such transactions were considered “**prohibited transactions**” the General Partner and its affiliates could be subject to liabilities

and excise taxes or penalties. In addition, our General Partner and its affiliates could be deemed to be fiduciaries under ERISA, subject to other conditions, restrictions and prohibitions under Part 4 of Title I of ERISA, and those serving as fiduciaries of plans investing in us may be considered to have improperly delegated fiduciary duties to us. Additionally, other transactions with “**parties-in-interest**” or “**disqualified persons**” with respect to an investing plan might be prohibited under ERISA, the Internal Revenue Code and/or other governing authority in the case of a government plan. Therefore, we would be operating under a burdensome regulatory regime that could limit or restrict investments we can make and/or our management of our properties. Even if our assets are not considered to be plan assets, a prohibited transaction could occur if we or any of our affiliates is a fiduciary (within the meaning of ERISA) with respect to an employee benefit plan purchasing shares, and, therefore, in the event any such persons are fiduciaries (within the meaning of ERISA) of your plan or IRA, you should not purchase Interests unless an administrative or statutory exemption applies to your purchase.

## **Tax Related Risks**

### **Tax Considerations**

The Partnership will be structured so as to be treated as a partnership, and not as an association taxable as a corporation, for federal income tax purposes. As such, each Partner, in determining its federal income tax liability, will take into account its allocable share of items of income, gain, loss, deduction and credit of the Partnership, without regard to whether it has received distributions from the Partnership. As is generally the case for similar private equity investment vehicles, an investment in the Partnership will give rise to a variety of complex U.S. federal income tax and other tax issues for Limited Partners. Certain of those issues may relate to special rules applicable to certain types of investors, such as tax-exempt entities, life insurance companies, banks, individuals, dealers in securities and foreign persons and entities. Prospective investors are urged to consult their own tax advisers with specific reference to their own situations concerning an investment in the Partnership.

**Certain favorable Federal income tax treatment may not be available to all Limited Partners, or may be rendered unavailable during the Partnership’s operation.**

Federal income tax treatment presently available with respect to partnerships may have a material adverse effect on the desirability of participating in a partnership for certain taxpayers. Further, any deductions for federal income tax purposes available to a Limited Partner resulting from his participation in the Partnership and the year in which such deductions are taken may have a material adverse effect upon the economic result afforded him. The benefit to a particular Limited Partner of various deductions of the Partnership will depend on the nature and extent of other income, deductions and credits of that Limited Partner. **For this reason, each prospective investor should consult his personal tax advisor.**

All federal income tax benefits existing for certain Limited Partners on the date hereof are subject to change without notice by legislation, administrative action and judicial decision. Such changes could deprive the Partnership and its Partners of certain tax benefits that the Partners might have considered when making investment decisions and may or may not be retroactive with respect to transactions occurring prior to the effective date thereof.

**The Partners will be limited as to the amount of any allocated losses they can deduct.**

In the event that the Partnership generates losses, such losses (including losses that are allocated to the Partnership from its investments in or through Project Partnerships) that are allocated to a Limited Partner may be deducted only to the extent of the Limited Partner’s tax basis in its Interest at the end of the partnership year in which the loss occurred. Any excess of loss allocated to a Limited Partner over

such Limited Partner's basis is deductible at the end of subsequent tax years of the Partnership to the extent of the Limited Partner's tax basis in his Interest at that time.

Further, deductions in excess of income (i.e., losses) from passive trade or business activities generally may not be used to offset "**portfolio income**" (interest, dividends, or royalties) or salary or other active business income. Deductions from passive activities generally may be used only to offset income from other passive activities. Interest deductions attributable to passive activities are treated as passive activity deductions, and not as investment interest. Thus, such interest deductions are subject to limitation under the passive activity loss rule and not under the investment interest limitation. Credits from passive activities generally are limited to the tax attributable to the income from passive activities. Passive activities include trade or business activities in which the taxpayer does not materially participate, which would include participation as a Limited Partner in the Partnership. Thus, the Partnership's profits and losses will constitute income and loss from a passive activity.

### **Internal Revenue Service challenge**

The Internal Revenue Service may challenge characterization of material tax aspects of your investment in the Interests. You should seek the advice of a qualified tax advisor prior to investing in our Interests.

**The IRS may determine that allocations made in the manner described in the Partnership Agreement are not appropriate and reallocate in a manner detrimental to individual partners or the Partnership.**

The Partnership will allocate among their partners their allocable shares of income, gain, loss, deduction and credit in accordance with the terms of their respective partnership agreements. For such allocations to be recognized for tax purposes, such allocations must have a "**substantial economic effect**". No assurance can be given that the IRS will not claim that the allocations under the Partnership Agreement lack substantial economic effect. The analysis of whether the IRS might be successful in such a claim requires review of the Partnership Agreement, the Internal Revenue Code (the "**Code**"), and the Treasury Regulations promulgated under the Code. Each potential investor should obtain independent tax advice regarding this issue. If the IRS is successful in a challenge to the allocations intended to be made to partners under the Partnership Agreement, the tax treatment of the investment for the Partners may be adversely affected.

**We may be audited, which could subject you to additional tax, interest and penalties.**

Our federal income tax returns may be audited by the Internal Revenue Service. Any audit of us could result in an audit of your tax return. The results of any such audit may require adjustments of items unrelated to your investment in us, in addition to adjustments to various partnership items. In the event of any such audit or adjustments, you might incur attorneys' fees, court costs and other expenses in contesting deficiencies asserted by the Internal Revenue Service. You may also be liable for interest on any underpayment and penalties from the date your tax was originally due. The tax treatment of all partnership items will generally be determined at the partnership level in a single proceeding rather than in separate proceedings with each partner, and our General Partner is primarily responsible for contesting federal income tax adjustments proposed by the Internal Revenue Service. In such a contest, our General Partner may choose to extend the statute of limitations as to all partners and, in certain circumstances, may bind the partners to a settlement with the Internal Revenue Service. Further, our General Partner may cause us to elect to be treated as an electing large partnership. If it does, we could take advantage of simplified flow-through reporting of partnership items. Adjustments to partnership items would continue to be determined at the partnership level however, and any such adjustments would be accounted for in

the year they take effect, rather than in the year to which such adjustments relate. Our General Partner will have the discretion in such circumstances either to pass along any such adjustments to the partners or to bear such adjustments at the partnership level.

### **Unrelated Business Taxable Income (UBTI)**

Employee benefit plans and most organizations exempt from federal income taxes (“**Exempt Organizations**”), including IRAs and other similar retirement plans, are subject to tax to the extent that their unrelated business taxable income (“**UBTI**”) exceeds \$1,000.00 during any tax year. To the extent that an Exempt Organization is allocated UBTI from the Partnership it would be subject to tax on such amounts exceeding \$1,000 at the trust tax rates. UBTI generally means the gross income derived from any unrelated trade or business regularly carried on by the exempt organization, less the deductions directly connected with carrying on the trade or business. Certain types of income (and deductions directly connected with the income) are generally excluded when figuring UBTI. The fact that UBTI will be generated and allocated to the Partnership (and ultimately the Partners) may make an investment in the Partnership less desirable for an Exempt Organization. **Exempt Organizations should consult their own tax counsel regarding the possible consequences of an investment in the Partnership.**

For certain other tax-exempt entities — charitable remainder trusts and charitable remainder unitrusts (as defined in Section 664 of the Code) — the receipt of any UBTI may have extremely adverse tax consequences, in that it could result in all of its income from all sources for that year being taxable.

### **Foreign investors may be subject to FIRPTA on the sale of our Interests.**

We are not a tax advisor and are not knowledgeable about the Internal Revenue Code as it relates to FIRPTA. We urge investors to consult with their tax advisors with respect to FIRPTA and its potential effect on an investment in our Interests.

### **You may realize taxable income without cash distributions, and you may have to use funds from other sources to fund tax liabilities.**

As a Limited Partner of the Partnership, you will be required to report your allocable share of our taxable income on your personal income tax return regardless of whether you have received any cash distributions from us. It is possible that your Interests will be allocated taxable income in excess of your cash distributions. We cannot assure you that cash flow will be available for distribution in any year. As a result, you may have to use funds from other sources to pay your tax liability.

### **We could be characterized as a publicly traded partnership, which would have an adverse tax effect on you.**

If the Internal Revenue Service were to classify us as a publicly traded partnership, we could be taxable as a corporation, and distributions made to you could be treated as portfolio income to you rather than passive income. We cannot assure you that the Internal Revenue Service will not challenge this conclusion or that we will not, at some time in the future, be treated as a publicly traded partnership due to the following factors:

- the complex nature of the Internal Revenue Service safe harbors;
- the lack of interpretive guidance with respect to such provisions; and
- the fact that any determination in this regard will necessarily be based upon facts that have not yet occurred.

**State and local taxes and a requirement to withhold state taxes may apply, and if so, the amount of net cash from open payable to you would be reduced.**

The state in which you reside may impose an income tax upon your share of our taxable income. Further, states in which we will own Properties acquired through foreclosure may impose income taxes upon your share of our taxable income allocable to any partnership property located in that state. Many states have implemented or are implementing programs to require partnerships to withhold and pay state income taxes owed by non-resident partners relating to income-producing properties located in their states, and we may be required to withhold state taxes from cash distributions otherwise payable to you. You may also be required to file income tax returns in some states and report your share of income attributable to ownership and operation by the Partnership of Spin-Off Corporation Investments in those states. In the event we are required to withhold state taxes from your cash distributions, the amount of the net cash from operations otherwise payable to you would be reduced. In addition, such collection and filing requirements at the state level may result in increases in our administrative expenses that would have the effect of reducing cash available for distribution to you. You are urged to consult with your own tax advisors with respect to the impact of applicable state and local taxes and state tax withholding requirements on an investment in our Interests.

**Legislative or regulatory action could adversely affect investors.**

In recent years, numerous legislative, judicial and administrative changes have been made in the provisions of the federal income tax laws applicable to investments similar to an investment in our Interests. Additional changes to the tax laws are likely to continue to occur, and we cannot assure you that any such changes will not adversely affect your taxation as a Limited Partner. Any such changes could have an adverse effect on an investment in our Interests or on the market value or the resale potential of our properties. You are urged to consult with your own tax advisor with respect to the impact of recent legislation on your investment in Interests and the status of legislative, regulatory or administrative developments and proposals and their potential effect on an investment in our Interests.

**Conflicts of Interest**

We will be subject to conflicts of interest arising out of relationships among us, the General Partner and its affiliates, including the material conflicts discussed below. All references to affiliates of the General Partner include the Manager and each other affiliate of the Manager and the General Partner. The Limited Partners must rely on the general fiduciary standards which apply to a general partner of a limited partnership to prevent unfairness by the General Partner or an affiliate of the General Partner in a transaction with the Partnership

**No Independent Counsel**

No independent counsel has been retained to represent the interests of the Limited Partners. The interests of a Limited Partner may be inconsistent in some respects with the interests of the Partnership and the General Partner. Each prospective Limited Partner is therefore encouraged and urged to consult his, her or its own counsel as to the terms and provisions of the Interests and in all other documents related thereto.

**No Independent Management**

The Partnership will not have independent management and it will rely upon the General Partner for the operation of the Partnership. The General Partner will devote only so much time to the business of the Partnership as is reasonably required. The General Partner will have conflicts of interest in allocating

management time, services and functions between its existing business interests other than the Partnership and any future partnerships which it may organize as well as other business ventures in which it may be involved. The General Partner believes it has sufficient staff available to be fully capable of discharging its responsibilities to all such entities.

**The General Partner and employees of the General Partner and its affiliates will face conflicts of interest relating to time management and allocation of resources, and our results of operations may suffer as a result of these conflicts of interest.**

Affiliates of the General Partner are active in other investment programs that may have investment objectives similar to ours or to which they have legal and fiduciary obligations similar to those they owe to us and our limited partners. Because affiliates of the General Partner have interests in investment programs and also engage in other business activities, they may have conflicts of interest in allocating their time and resources between our business and these other activities. During times of intense activity in other programs and ventures, they may devote less time and resources to our business than is necessary or appropriate. If the General Partner, for any reason, is not able to provide sufficient resources to manage our business due to the other activities of its affiliates, our business will suffer as we have no other personnel to perform these services. Likewise, if the General Partner or its affiliates suffer financial and/or operational problems as a result of any of the activities of its affiliates, whether or not related to our business, and the General Partner is unable to manage our business, we will have no one to manage or dispose of our investments. Conflicts with our business and interests are most likely to arise from involvement in activities related to:

- the allocation of new investments among us and affiliates of the General Partner;
- the allocation of time and resources among us and affiliates of the General Partner;
- the timing and terms of the investment in or sale of an asset;
- entitlement or management of our properties by affiliates of the General Partner;
- investments with and/or sales to and acquisitions from affiliates of the General Partner;
- and
- compensation to the General Partner

#### **General Partner's Fees and Compensation**

None of the compensation set forth under "Compensation to the General Partner and Its Affiliates" was determined by arm's length negotiation. It is anticipated that the fees and profits received by the General Partner may be higher or lower depending upon market conditions. Therefore, a conflict will exist when the General Partner must decline to purchase a Spin-Off Corporation Investment it deems not in the best interest of the Partnership if such Spin-Off Corporation Investment would otherwise provide the General Partner with additional compensation at closing. This conflict of interest will exist with every Spin-Off Corporation Investment transaction, and Limited Partners must rely upon the fiduciary duties of the general Partner to protect their interests. The General Partner has the right to retain the services of other firms, in addition to, or in lieu of the General Partner, to perform other services and other activities in connection with the Partnership's Spin-Off Corporation Investment portfolio that are described in this Offering Circular.

**The fees we pay to affiliates in connection with this offering and in connection with the acquisition and management of our Spin-Off Corporation Investments were not determined on an arm's length basis.**

The fees to be paid to asset management affiliates for services provided to us will not be determined on an arm's length basis. As a result, the fees will be determined without the benefit of arm's length negotiations of the type normally conducted between unrelated parties and may be in excess of amounts that we would otherwise pay to third parties for such services. Excess fees paid by us for services could reduce our income.

**Our General Partner, its Manager, key finance and securities professionals and employees will face conflicts of interest caused by our compensation arrangements with these parties that could result in actions that are not in our long-term best interests.**

Our General Partner, its Manager, key finance and securities professionals and employees will receive substantial compensation from us. This compensation could influence the advice given to us by the parties receiving this compensation. Among other matters, these compensation arrangements could affect the judgment and advice received by us from these parties with respect to:

- the continuation, renewal or enforcement of our agreements with our General Partner, its Manager, key finance and securities professionals and employees;
- our public or private offerings, which may enable our affiliates to earn additional acquisition and asset management fees;
- acquisitions of Spin-Off Corporation Investments may entitle our affiliates to asset management fees;
- Spin-Off Corporation Investment sales, since the asset management fees payable to our affiliates will decrease;
- sale of Spin-Off Corporation Investments, which may entitle our affiliates to disposition fees; and

Our General Partners, its Manager, professionals and employees may receive compensation in connection with transactions involving the acquisition of a Spin-Off Corporation Investment that will be based on the cost of the investment, and not based on the quality of the investment or the quality of the services rendered to us. Additionally, the payment of certain fees may influence our General Partner, its Manager, professionals and employees to recommend transactions with respect to the sale of a Spin-Off Corporation Investment(s) that may not be in our best interest at the time. In evaluating Spin-Off Corporation Investments and other management strategies, the opportunity to earn fees may lead our General Partner, its Manager, professionals or employees to place undue emphasis on criteria relating to their compensation at the expense of other criteria, such as the preservation of capital, to achieve higher short-term compensation. Considerations relating to the compensation paid to our General Partner, its Manager, professionals and employees from us could result in decisions that are not in our best interests.

**Our General Partner, its Manager and affiliates may invest in other businesses and we will compete with our General Partner, its Manager and affiliates in the acquisition and origination of Spin-Off Corporation Investments.**

Our General Partner, its Manager and affiliates are not prohibited from engaging in other business ventures, which may create conflicts of interest. The General Partner, its Manager or affiliates may sponsor other partnerships which are similar to that of the Partnership. The General Partner, its Manager and affiliates also provides loan brokerage services to other investors besides the Partnership. It is possible that these other partnerships and investors will have funds to invest at the same time as the Partnership. There will then exist conflicts of interest on the part of the General Partner, its Manager or affiliates between the Partnership and the other partnerships or investors with which they are affiliated at such time. The General Partner, its Manager or affiliates will decide which Spin-Off Corporation

Investments are appropriate for acquisition or funding by the Partnership or by such other partnerships and investors after consideration of all relevant factors, including the size and type of the Spin-Off Corporation Investment, portfolio diversification, and amount of un-invested funds. The allocation of investment opportunities could result in us investing in Spin-Off Corporation Investments that provide less attractive returns. These existing and future programs may own properties or loan funds located in geographical areas in which we may acquire Spin-Off Corporation Investments. Therefore, we may compete with the General Partner, its Manager and affiliates in the purchase or origination of Spin-Off Corporation Investments.

**Our General Partner, its Manager, affiliates and other finance and securities professionals may have conflicting fiduciary obligations if we enter into joint ventures or engage in transactions that are also represented by our General Partner, its Manager, affiliates or our finance and securities professionals.**

Our General Partner and its Manager may cause us to co-invest in Spin-Off Corporation Investments together with entities also represented by our General Partner, its Manager, affiliates or finance and securities professionals. In these circumstances, our General Partner, its Manager, affiliates and finance and securities professionals will have a conflict of interest when fulfilling their fiduciary obligations to us. In any such transaction, we would not have the benefit of arm's-length negotiations of the type normally conducted between unrelated parties.

**Some of our affiliates may invest in the Interests, which may create conflicts of interest.**

As of the date of this prospectus, neither the General Partner's Manager or affiliates, nor any of their related interests, hold any Interests. While investment in the Interests by our affiliates may align their interests with those of other investors, it could also create conflicts of interest by influencing management's actions during times of financial difficulties. For example, the fact that persons related to our management may hold Interests, and the number of Interests they hold, could influence our General Partners or its Manager to pay distributions at a time or times when it would be prudent to use our cash resources to build capital, pay down outstanding obligations, or grow our business. There may be other situations not presently foreseeable in which the ownership of Interests by related persons may create conflicts of interest. These conflicts of interest could result in action or inaction by ownership or management that is adverse to other Limited Partners.

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## **V. USE OF PROCEEDS**

The following table contains information about the estimated use of the gross proceeds of this offering assuming all Interests are sold and the maximum proceeds of \$50,000,000 are raised. Many of the figures represent our best estimate since we cannot now precisely calculate the figures.

	Minimum Offering		Maximum Offering	
	Dollar Amount	%	Dollar Amount	%
<b>Gross Proceeds</b>	\$2,000,000	100.0%	\$50,000,000	100%
Offering Expenses <sup>1</sup>	\$40,000	2.00%	\$100,000	.20%
Selling Commissions & Fees <sup>2</sup>	\$0	0.0%	\$0	0.0%
Fees to the General Partner <sup>3</sup>	\$40,000	2.0%	\$1,000,000	2.0%
<b>Amount Available For Investment<sup>4</sup></b>	\$1,920,000	96.00%	\$48,900,000	97.80%
Amount Invested in Portfolio and Spin-Off Corporation Investments <sup>5</sup>	\$1,820,000	91.00%	\$46,400,000	92.80%
Working Capital Reserves <sup>6</sup>	\$100,000	5.00%	\$2,500,000	5.00%
<b>Total Use of Proceeds</b>	\$2,000,000	100.00%	\$50,000,000	100.0%

<sup>1</sup> Offering expenses include legal, accounting, printing, advertising and other expenses of this offering. The General Partner has borne the expenses for this offering and may seek reimbursement. The Partnership will bear its own organizational and syndication expenses. These expenses may be advanced by the General Partner or its affiliates and reimbursed to the paying entity by the Partnership.

<sup>2</sup> We currently have no agreements for any outside persons to sell the Interests on our behalf. However, the Partnership may, but is not obligated to, utilize the services of a FINRA broker/dealer or private persons acting as finders. Because the Interests will be offered on a best efforts basis, there can be no assurances that all or any part of the offering will be sold. We may pay up to 10% to a registered broker-dealer.

<sup>3</sup> The General Partner will be paid a fee of 2% from the proceeds of this Offering in exchange for its services related to the management of the Partnership.

<sup>4</sup> Until required in connection with the acquisition or origination of Portfolio and Spin-Off Corporation Investments, substantially all of the net proceeds of the offering may be invested in short term, liquid investments including government obligations, bank certificates of deposit, short term debt obligations and interest-bearing accounts or other authorized investments as determined by our General Partner.

Until the proceeds from this offering are fully invested, and from time to time thereafter, we may not generate sufficient cash flow from operations to pay distributions to Limited Partners. Therefore,

particularly in the earlier part of this offering, some or all of the distributions paid to Limited Partners may be paid from other sources, such as cash advances by our General Partner or its Manager, cash resulting from a waiver or deferral of fees, borrowings and/or proceeds from this offering.

<sup>5</sup> Includes amounts anticipated to be invested in Portfolio and Spin-Off Corporation Investments, including fees and expenses such legal fees, compensation paid to the General Partner and holding costs such as management fees and administrative expenses. We will reimburse our General Partner or its affiliates for actual expenses incurred in connection with the selection or acquisition of an investment, whether or not we ultimately acquire the investment.

<sup>6</sup> Working Capital Reserves are set aside for office expenses, overhead, and other costs associated with running the Partnership.

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## **VI. BUSINESS DESCRIPTION**

### **Overview**

Our primary business is to invest in a diversified portfolio of companies that comprise a biotech ecosystem consisting of primary Portfolio Companies and Spin-Off Corporations. We intend to invest first in the Portfolio Companies that are developing the biological discoveries that can then be spun off into separate business units. Once these business units have been formed, the Fund will become the financial catalyst that will position these companies into merger or IPO candidates.

Our goal is to build underlying value in our portfolio companies by assisting them with capital resources, business development assistance, access to additional resources, and the formation and capitalization of the new spin off ventures. We anticipate holding our investment in the portfolio companies through the life of the Fund, while attaining short term capital growth and investment returns through liquidity events associated with the spin off companies.

We have not commenced any significant operations to carry out our business plan, however our General Partner has been working closely with both of our Portfolio Companies for one year. To date, we have not invested in any Portfolio Company or Spin-Off Corporation Investments. Upon receiving funding, we plan to continue to carry out our business plan, as described below, investing in Portfolio Companies and Spin-Off Corporation Investments with the objective of generating both current income and long term gains.

Prospective Limited Partners are invited to review any documents that the General Partner possesses regarding the Partnership, the operations of the Partnership and any other matters regarding this Offering. All such materials are available at the office of the Partnership, at any reasonable hour, after reasonable prior notice to the General Partner. The General Partner will afford prospective Limited Partners the opportunity to ask questions of, and receive answers from, its representatives concerning the terms and conditions of the offering in addition to reviewing due diligence files on acquired assets and to obtain any additional information to the extent that the General Partner or the Partnership possesses such information or can acquire it without unreasonable effort or expense.

Prospective Limited Partners should consider investment in the Partnership to be speculative, as it is not intended to be a complete investment program. The Partnership is designed only for sophisticated persons who are able to bear a complete loss of their capital investment in the Partnership.

### **Market Opportunity**

The analytic methods that various universities, hospitals, non-profits, pharmaceutical companies and research facilities are using cannot provide a simple, accurate model that will hold up in clinical use and tell the end user which biomarkers predict anti-TNF drug response; which treatment combinations prevent early recurrence; which trial enrichment screening will reduce phase three failures; or which combination of patient history, gene expression markets, and bloods could provide a diagnosis of benign versus malignant tumors without biopsy among other things. Emerald Logic provides accurate analytics for the identification of said biomarkers and operates as a service business to the pharmaceutical industry. Clients of Emerald Logic include leading pharma companies and such prestigious institutions as Mayo Clinic, New York University, University of Pennsylvania, University of California, and others.

The Portfolio Companies are analytic services providers and commercialization engines that can solve problems discussed above. Clinical data provided by a JV Partner or other available sources may be used by the Spin-Off Corporation whereby a Spin-Off Corporation can then provide:

- new diagnostic tools that are designed to lower costs and increase accuracy of testing for various conditions and medical responses
- the rescue of failed drug candidates and accelerated clinical trial processes through the use of companion diagnostics
- new courses of treatment designed to provide relief to a large variety of diseases and conditions
- the discovery of new biological molecules or biomarkers that may have significant effects on current treatments or drug programs
- New drug candidates for clinical trial studies

### **Investment Objectives**

The Partnership has been organized primarily to invest in Blueprint Bio (“**Blueprint**”) and Emerald Logic (“**Emerald**”) (collectively, referred to as “**Portfolio Compan(y)ies**”) and any spin-off subsidiary companies (“**Spin-Off Corporations**”) or joint ventures derived from these two Portfolio Companies for two (2) to seven (7) years with the expectation to wind up the Partnership in year seven. The Portfolio Companies intend to enter into multiple joint venture agreements with a variety of joint venture partners (“**JV Partners**”) for the purposes of advanced diagnostics, treatments and drug development relating to a variety of medical conditions including, but not limited to, addiction, diseases and conditions related to the central nervous system, lung cancer, renal cancer, and inflammatory diseases such as rheumatoid arthritis. JV Partners may include universities, hospitals, research centers, and pharmaceutical companies. The Portfolio Companies, when paired with an appropriate JV Partner, may rescue failed clinical trials for a variety of drugs, assist with the discovery of new treatments for a variety of medical conditions, and help with the development of new diagnostics. The resulting Spin-Off Corporations from the partnership between the JV Partner and Portfolio Companies will result in a new business entity in which the Partnership will invest up to \$7,500,000 (“Spin-Off Corporation” or “Spin-Off Corporation Investments.”)

### **Investment Strategy**

Our investment strategy is to invest substantially all of the net proceeds from this offering in a diverse portfolio of Portfolio Company and Spin-Off Corporation Investments. Thereafter, the Partnership, together with the executive leadership of each Spin-Off Corporation, may elect to, at the proper time, file an S-1 registration statement with the Securities Exchange Commission for the purposes of becoming a publicly traded company. In other cases, the Spin-Off Corporation may be acquired by a larger company. In either case, the goal is to achieve a liquidity event early on. In the case of a public offering, the Partnership intends to sell some or all of its interest in the Spin-Off Corporation at the time of the public offering being approved by the SEC for sale and by FINRA for trading on an appropriate trading platform such as NASDAQ. There is no guarantee that the Spin-Off Corporation(s) S-1 will be approved by the SEC or that FINRA will assign a symbol to the Spin-Off Corporation.

After an initial public offering, the General Partner, on behalf of the Partnership may make a decision regarding distributions:

1. The General Partner may elect to sell some of the shares held by the Partnership for cash. The General Partner then will distribute the cash in accordance with the Limited Partnership Agreement.
2. The General Partner may elect to hold the stock for investment purposes until the General Partner decides it is an appropriate time to sell or assign the shares to Limited Partners.
3. The General Partner may elect to distribute the shares to the Limited Partners. Such distributions will reduce the Capital Account Balance of the individual Limited Partners until such time, with a combination of such shares (marketable securities) and cash, the Limited Partners' Capital Account Balances reach \$0. Thereafter, the General Partner will make distributions in accordance with the Limited Partnership Agreement whereby the General Partner will receive 20% of all distributions and the Limited Partners will share in 80% of all distributions, pro rata, in accordance with the Capital Contributions as the numerator and the total Capital Contributions of all the Limited Partners as the denominator.

### **Portfolio Companies**

The Partnership, to date, has identified three potential Portfolio Companies: Emerald Logic, Blueprint Bio, and BluePen Biomarkers. Below is information regarding these companies.

#### ***Emerald Logic***

Emerald Logic has created the world's only integrated multi-omics precision analytics platform. The company's mission is to make personalized medicine a reality, in order to reduce patient suffering, treatment costs, and drug development risk. Emerald's bio-inspired signal processing technology is proven to solve problems impossible for other methods, by modeling the underlying biology of disease regardless of the number or complexity of available biomarkers, lab assessments, clinical history, and demographics. The company's body of work includes diagnostics and prognostics for a wide variety of cancers, inflammatory diseases, neurological disorders, cardiac health, and addiction. The company's customers include major pharma, renowned clinics, and world-class research institutions.

Pharmaceutical companies have never been in a more dangerous position. Presidential candidates have seized on rising drug prices (13% per year, now at \$350 billion) as a major issue for 2016. Pharma has little room to react. Drug development is extremely risky – half of final-stage clinical trials fail for safety issues or for poor efficacy (not helping enough patients). Each failure wastes \$1 billion, totaling \$875 billion per year. Pharma companies have to make up for this risk by charging more for the drugs that do gain FDA approval.

#### Sobering Pharma Facts (PHRMA 2015 Profile):

- It takes over 10 years to develop a new drug.
- Total capitalized costs for a new drug = \$2.6 billion
- There are 7,000 medicines in development globally
- Only 51 new medicines approved in the U.S. in 2014
- Only 2 of 10 marketed drugs return revenues that match or exceed R&D costs.

Adding to the pressure, reimbursement entities are moving to “pay for performance” models. This is to save \$140 billion per year wasted because a typical drug only helps 60% of prescribed patients. Reimbursementers have even dropped some drugs entirely from approved reimbursement lists. It’s not that FDA-approved drugs don’t work; it’s that nobody can accurately predict who will and won’t benefit. Pharma will bear the losses in this new “pay for performance” era.

New reimbursement models and regulations will hit pharma revenue hard in 2016. Pharma needs two solutions immediately, and only Emerald Logic has proved it can provide them:

1) Predictive algorithms for clinical trials, to screen out patients who will experience serious adverse events, and to screen in only patients who will respond to the drugs. This can cut the 50% clinical trial failure rate to 5%.

2) “Companion biomarker” lab tests to predict whether a patient will benefit from a drug (new or existing).

Why hasn’t pharma solved these problems? First, mainstream analytics used by pharma and academia are based on 200-year-old mathematics to identify the best predictive variables in a data set. Even newer methods like “deep learning” neural networks, support vector machines, etc., still use this archaic approach to narrow down variables to manageable sets. Unfortunately this discards relevant variables.

Second, mainstream and newer analytic methods are overwhelmed by the complexity and nonlinearity of real-world biology. New assay methods have emerged to measure biomarkers in genomics, proteomics, metabolomics, lipidomics, and gut biomics. These assays measure tens of thousands of variables, and the number of potential linear and nonlinear relationships between the variables is too large for these analytic methods to handle.

How do we know the aforementioned methods are failing? Tens of thousands of biomarkers have been “discovered”, but the results haven’t held up in replication studies, and only a handful of published biomarkers have made it to FDA-approved clinical use. By contrast, Emerald Logic has already discovered biomarkers and produced validated algorithms using these biomarkers, to diagnose or predict treatment response for lung cancer, breast cancer, mesothelioma, renal cancer, colorectal cancer, rheumatoid arthritis, asthma, Alzheimer’s, autism, and others.

Emerald Logic’s proprietary FACET software uses a unique, signal processing approach to combine all data types to identify explanatory factors and produce quantitative models for clinical trial screening, diagnosis, and prediction of drug response. The company’s customers include major pharma, renowned clinics, and world-class research institutions. Fees range from \$125,000 up to and over \$1 million per project.

Resverlogix, a Canadian pharma company, illustrates Emerald Logic’s value. Emerald Logic developed a predictive model to more than double Phase 3 drug response versus Phase 2 trials, and another model to decrease adverse (safety) events by 83%. Resverlogix’ stock price appreciated 6X in the four months following the project, due to reduced risk of phase 3 failure as well as Emerald’s discovery of novel intellectual property for this client.

Emerald Logic is led by an exceptional management team with a track record of 20X to 40X returns to shareholders, and is assisted by a world-class board of scientific and business advisors. Our mission is to make personalized medicine a reality, thereby eliminating 40% of patient suffering and cutting prescription costs by over \$150 billion annually.

## *Board of Directors*

### *Patrick Lilley, Chairman*

Patrick is CEO of Emerald Logic. Emerald's mission is to make personalized medicine a reality, in order to reduce patient suffering, treatment costs, and drug development risk. Emerald's bio-inspired signal processing technology is proven to solve problems that no other analytics method can. The company's customers include major pharma, renowned clinics, and world-class research institutions. Patrick has spent the last 25 years driving growth and innovation in biotech, software, high-performance computing, and mobile wireless. He is a veteran of hyper-growth through every stage from start-up to \$4.5 billion in annual revenue, and has conducted business on every continent except Antarctica. Patrick was CEO of two startups prior to co-founding Emerald Logic, one sold to HP for \$160 million and one to European investors for 10X return in one year. He was VP, Operations of an additional startup that Microsoft bought for \$275 million. Patrick holds 10 patents in artificial intelligence, disease prognosis, compression, and embedded computing. He has guest lectured at CalTech, MIT, Stanford, Berkeley, USC, Brandman University, and UC Irvine. He holds a BA in Economics and an MBA specializing in strategy and quantitative finance, both from UC Irvine.

### *Matthew Nunez, Director*

Matthew is the Co Founder, Chairman and CEO of Blueprint Bio, an industry leading biomarker discovery and licensing company. He has 15 years of operational and investing experience across several technology industries.

Matthew is also a Board Director of Emerald Logic, the industry leader in signal processing-based 'omic analysis in biomarker discovery, clinical trial enrichment and drug response research.

Additionally, he is a Board Director and Advisor at Lyceum Pharmaceuticals, Inc. Lyceum combines unique genomic intellectual property with a novel R&D strategy to develop qualitatively superior pharmaceuticals. Lyceum's technology grows out of research from the lab of University of California Irvine Professor Michael R. Rose.

Matthew has been instrumental in several public company launches and has been an activist investor in a variety of technology industries. For the past several years he has been cultivating strategies to advance medical research by accelerating the integration of biomarker discovery for use in prognostics, diagnostics and course of treatment. His extensive relationships in the technology, financial, and operational sectors of industry have enabled him to develop this novel collaborative approach to building the current ecosystem of companies.

### *John Harbison, Director*

John is the CEO of TechSpin, where he assists companies in technology commercialization, helping clients extract and realize truly incremental value through successful technology licensing, partnerships and spinoffs. TechSpin adds value both in spinning technology out (licensing, spin-outs into new companies) and spinning technology in (sourcing discriminating technologies for defense applications from companies outside defense). The former creates value through incremental cash flow and liquidity events, and the later allows aerospace/defense clients to realize incremental revenue/profit by serving as a "channel" to defense customers.

As president of Raytheon Commercial Ventures Inc. (RCVI), John reported to Raytheon's Chairman/CEO and led a new subsidiary to identify defense technologies with promising commercial

applications; sought external capital to spin out businesses into separate companies. and served on Raytheon Leadership Team. In less than two years, RCVI launched 4 businesses involving outside investors --Systemonic (802.11 wireless LAN chipsets), Alon/Surmet (an advanced superhard "bulletproof" transparent aluminum), Valeo Raytheon Systems (automotive radar with initial application in side blindspot detection) and SilentRunner (network security software). Overall RCVI accessed over \$100 million in outside capital in transactions that yielded over \$50 million in equity for Raytheon. Two of these spinouts subsequently realized liquidity events -- the sale of Systemonic to Philips in December 2002 and the sale of SilentRunner to Computer Associates. Valeo Raytheon Systems sold over one million sensors and achieved \$700 million in annual revenue within eight years of inception.

As co-founder of Next Autoworks (formerly V-Vehicle Company), served as COO, CFO and Chief Strategy Officer at this disruptive new American car company backed by a stellar set of investors including Kleiner Perkins, Google Ventures, T. Boone Pickens and others. Next Autoworks focused on delivering industry-leading results by implementing a disruptive business model that leverages the knowledge and scale of the automotive industry while avoiding entrenched bureaucracy and reducing inefficiencies in all aspects of the auto business, from development through distribution.

Cutting out all the bureaucracy and focusing on producing the best car and the best customer purchasing/ownership experience, the team created a dramatically lower cost, lower capital, lower breakeven business model. The first car (code-named V Car) was a sub-compact car designed, engineered and built in America for Americans that delivered best-in-class safety, fuel economy, emissions, roominess and handling at a price dramatically less than competition This was accomplished through an extremely collaborative approach -- designing the car by working closely together with our world-class suppliers in a co-development process called "AutoWorks", and re-inventing the retail experience by inviting prominent dealers to participate in "DealerWorks" sessions with us. The goal was a no-haggle-no hassle purchasing experience -- think next generation Saturn customer experience coupled with a better car at a lower price. First prototype logged over 7000 miles, and scored well in consumer focus groups. Overall, Next Autoworks' intent was to be the Southwest Airlines of the car business.

As CEO of SilentRunner Inc., John led a six-month turnaround of this network security software start-up (spun out from Raytheon) culminating in a successful sale to Computer Associates. SilentRunner won many awards including PC Magazine's Editor's Choice award for Event Monitoring and 2002 Best of Year in Networking Software, as well as Computerworld Honors 21st Century Award. In the role of CEO, John 1) repositioned product development from log analyzer/forensics tool to a behavior-based adaptive network security solution addressing specific significant pain points (insider trading and money laundering for banks, cellular fraud for telecom, SCADA for utilities, HIPAA compliance for medical); 2) cut costs (burn rate) by 45%, and kept people motivated through the first RIF in company history; 3) improved end-user sales per employee by 80%; 4) restructured sales and product management processes, and improved cross-functional interaction and communication; and 5) positioned for profitability and successful exit.

As Vice President at Booz Allen Hamilton (now Booz & Co.), John specialized in strategic transformation across a wide variety of industries. He led the firm's Aerospace/Defense Practice, its Strategic Alliances functional practice, its Los Angeles office and at one point served as the youngest member of the board of directors and as chairman of the finance committee. His current activities at Tech-Spin leverage the skills base and expertise he developed over the years at Booz Allen -- strategic assessments of market opportunities, alliances/technology commercialization, and defense technology understanding.

As an external “talking head”, John has authored articles and been quoted in over 40 publications, and has appeared on network news broadcasts on ABC, CNN, CNBC, CBS, PBS and Bloomberg. He has been a keynote speaker at such forums as AIA, EIA and the Conference Board. He co-authored the book *Smart Alliances: A Practical Guide to Repeatable Success*, which for five years earned the distinction on Amazon of the best selling book on alliances and acquisitions among over 250 titles on that subject. He has also authored eight Aerospace/Defense viewpoints, which have been widely read and quoted in *Aviation Week*, *Defense News* and other prominent publications. In March 2001, *Aviation Week* nominated Mr. Harbison and his team for their highest honor, the Aerospace Laurel Award.

Harbison is currently an active member of Tech Coast Angels, the largest angel investor network in the United States, and recently was elected President of the Orange County Network; TCA provides funding and guidance to more early-stage, high-growth companies in Southern California than any other venture capital, angel or other private equity group. Harbison has led 8 deals and currently serves on the boards of two of these start-ups (including Emerald Logic.)

In his free time, Harbison is a photographer (see [www.BestNaturePhotos.com](http://www.BestNaturePhotos.com)) and participates on the Board of the Los Angeles Council for the Boy Scouts of America, where he served as Chairman from 2000-2001. Mr. Harbison received a BA cum laude in English from Harvard University, an MS in accounting from NYU Stern and a MBA from Harvard Business School with first year honors.

#### *Management*

*Patrick Lilley, CEO (bio above)*

*Michael Colbus*

Michael Colbus, CTO, has extensive technical and management experience in both large corporations and early stage companies.

At Toyota Motors Corporation, Mike led the creation and development of Toyota’s Identity Management practice. He worked in collaboration with business executives to position identity security as a strategic asset for business innovation and led the design and engineering of Toyota’s Telematics security implementation. He developed an Industry First Composite Identity infrastructure that enabled a driver to manage vehicle preferences based on the vehicle and driving context. He also developed encryption methods to secure vehicle to datacenter communications to ensure customer privacy and vehicle security. Mike presented at industry conferences on the role of security in business development. In this role at Toyota Mike was responsible for strategy, budget, associate development, vendor management and contract management.

Mike co-founded Toyota’s Mobile Center of Excellence. He developed Toyota’s first Mobile application platform integrating the Dealer prospect management system with a Vehicle Management and Supply Chain Management systems. The application provided Dealers and Consumers managed access to Toyota’s worldwide big data vehicle manufacturing and distribution platform in order to have better visibility to Dealer stock and vehicle delivery pipeline. The system allowed customers to shop for the vehicle, configuration, and options they desired and provided them visibility as to which Dealers near them had the desired vehicle in stock or in route from manufacturing plants.

While at Toyota, Mike also co-founded the creation of the OCM Community of Practice. He is a certified organizational trainer of the Prosci ADKAR (Awareness, Desire, Knowledge, Ability, Reinforcement) Change Management methodology. He trained and certified over 50 Toyota associate change professionals on the ADKAR program and successfully led several large enterprise programs

balancing Executive Sponsorship, Project Management, and Change Management to yield ultimate adoption of change through transformation at the individual level.

Mike envisioned, developed and built Organization Consensus for Enterprise Architecture at Toyota, continuously improving the Toyota Presentation tier architecture. He led integration teams to incorporate enterprise architecture standards into Java and .Net distributed development platforms. Mike collaborated on the design and establishment of Toyota's Service Oriented Architecture program and was an internal architecture consultant on business technology acquisitions.

Mike was responsible for the management, development and delivery of the industry's first manufacturer/dealer operations portal for Toyota. He managed a team of over 200 management, architect, engineer and quality management staff. In this role, Mike managed business and technology strategy, budgets in excess of \$100M, associates development, vendor management and contract management.

He engineered a Telematics Mobile Application strategy integrating in-vehicle system, cellular data networks, Azure cloud and Toyota Smart Center for an end to end seamless customer experience for mobile device management of in-vehicle and cloud based vehicle security and remote vehicle management functionality. As the creator of the Mobile Application Development education program, Mike trained and mentored professional staff on the development and appropriate application of mobile solutions in enterprise and product strategies.

Mike was also responsible for collaborating with Toyota business executives to align technology with business strategy, develop strategy roadmaps, secure funding, and manage budget and delivery of the technology portfolios for Toyota's Finance, Human Resources, Legal, Philanthropy, Communications and University of Toyota departments.

He was also responsible for the creation and development of Toyota's first dot.com digital marketing properties for Toyota, Scion and Lexus. In this role, Mike collaborated with the marketing department, advertising partners, senior executive management on the strategy and delivery of Toyota's digital brand.

Prior to his career with Toyota, Mike was Managing Partner for Toros Design, LLC. There he was responsible for business development, client management, sponsor management, finance, accounting, payroll, talent management, software engineering, and data management.

Toros Design brought leading edge technology solutions to Financial Portfolio Management, Entertainment, and Government clients. Premier clients included Foothill Management Group, Microsoft, American Golf, The County of Orange and The County of Los Angeles.

Mike was a Consultant for Toshiba America, Inc. where he built Toshiba's laptop product "configurator" web site that leveraged the configuration data warehouse. He also designed and built Toshiba's Laptop Product Configuration data warehouse. Their sales partners used the data warehouse to manage configurations for product orders and repairs as well as maintenance service management business. Toshiba used the platform to assist them in the management of their laptop spare parts inventory.

Mike's professional career began at AST Research, Inc. in the late 1980s as a software engineer responsible for supporting Finance Department. He built and enhanced finance software assets to support business goals and processed monthly, quarterly, and annual accounting system functions. Mike

developed and provided a training program for business professionals to allow them ad-hoc reporting capabilities to financial systems.

In the Accounting Department at AST, Mike was responsible for general ledger, accounts payable and accounts receivable accounting. He managed accounts and created journal entries to reconcile business operations.

### *Michael O'Neill*

Michael O'Neill, Senior Director of Operations, has held operational roles at Microsoft, STB/GPG, DATAlegro, and Bitfone. Michael manages all corporate administration and infrastructure including IT, security, finance, human resources, compliance, and facilities. For Emerald, he leverages fifteen years of extensive operations background in technology businesses, including navigating early-stage start-ups to acquisition, and high growth in large enterprises such as Microsoft.

Michael is passionate about properly evolving corporate culture, and boosting team morale to inspire world-class performance. While not making the Emerald Logic machine operate smoothly, Michael can be found filming the wilds across the globe with the latest drone technology.

### *Abraham Levine*

Abe Levine, Executive Vice President of Sales and Services, is a high technology C-Level executive with a proven track record of opening new markets for software and telecommunications companies, delivering substantial revenue, building successful delivery and support organizations, and maintaining long-lasting relationships with diverse companies and cultures worldwide.

Prior to joining Emerald Logic, Abe was Chief Operating Officer of VisTracks, a company focused on the Internet of Things specializing in software to meet the recent US Department of Transportation electronic log and vehicle inspection mandate for the trucking industry. Prior to joining VisTracks, he was COO of a Wisconsin-based wireless carrier where he led a turnaround from monthly subscriber losses to significant monthly gains, and managed over 500,000 handsets and other mobile devices on his network.

In addition, as VP Professional Services for Smith Micro Software, he expanded their market via sales to a major US automotive company for over the air automobile applications – a precursor to today's Infotainment - and won Vendor of the Year in China from Huawei Technologies, first for a foreign company. Abe has also turned around a \$100 million project for Cray to develop an ultra-high speed computer for Sandia National Labs and the Dept. of Energy.

At Rockwell, Abe also built one of the nations' largest private sector scientific computing centers, growing from a \$600K yearly budget to over \$20M providing engineering design and pre-flight support for the Space Shuttle and simulation support for the Strategic Defense Initiative ("star wars"). Abe has managed teams in US, Europe and Asia and speaks several languages.

### ***Blueprint Bio***

Blueprint Bio is a Southern California company dedicated to identifying, documenting and bringing relief to medical patients by providing proprietary personalized medicine solutions for a number of chronic and acute conditions.

Personalized medicine is an emerging field that uses diagnostic tools to identify specific biological markers, often genetic, to help determine which medical treatments and procedures will be best

for each patient. By combining this information with an individual's medical records and circumstances, personalized medicine allows doctors and patients to develop targeted prevention and treatment plans. The goal is to provide the right treatment in the right dose to the right patient at the right time.

In cooperation with its alliance partners, Blueprint has the unique ability to extract the critical genomic and other biologic information from research data that can be applied in creating these personalized medical solutions. Blueprint Bio is currently working on applications for conditions including Autism, Breast Cancer, Colitis, Lupus, Diabetes, HIV, Prostate Cancer, Leukemia, Rheumatoid Arthritis, Crohn's Disease, Alzheimer's among others.

Patients are suffering today while the therapies and drugs that can help them are stuck in a research pipeline. Independent researchers don't have the capital, resources or business model to get their critical research to market. Larger research institutions and companies are generating reams of data, but are unable to accurately and efficiently analyze this data to deliver effective solutions quickly.

Blueprint Bio has established an ongoing strategic alliance with Emerald Logic, the first company to apply nonlinear signal processing analytics to research data, enabling rapid go to market strategies. Blueprint Bio has assembled a team comprised of best of breed institutions in research, capital markets, intellectual property and licensing - creating a complete chain that can effectively turn intellectual property into practical value.

Through advanced nonlinear analytics, they let the data determine the critical associations pertinent to the research, and deliver these biomarkers and algorithms to Blueprint. Instead of having to analyze tens of thousands of molecules to find the ten biomarkers that are relevant to the research, Blueprint can narrow the field from the start.

The biologic properties and applications are then delivered to legal and intellectual property experts, where they are protected. Blueprint builds an intellectual property wall around these discoveries in order to benefit their partners and customers.

As Blueprint builds a biologic library of patented genomic expressions, pharmaceutical and diagnostic companies can determine which of these discoveries apply to the challenges they are facing. In effect, they can choose a particular set of biological and other factors that have been demonstrated to have an effect on desired patient outcomes.

This de-risks and accelerates one of the lengthiest and costliest steps in drug and therapy development – and one of the sources of high treatment failure rates.

According to "*Essentials of Genomic Personalized Medicine*" by Geoffrey S. Ginsburg and Huntington F. Willard, current high failure rates in personalized treatments are directly linked to the tests used to characterize patients. The Blueprint approach is to lower the failure rates by increasing the effectiveness of the testing.

Blueprint Bio has been actively investigating several databases of biomarker expressions and outcomes in order to identify assets that can be protected and licensed. Areas of interest include Asthma, Alzheimers, Diabetes, Mesothelioma, Rheumatoid Arthritis, and various cancer conditions. The company has been performing analysis on several data sets and has initiated patent protection on certain identified assets that may hold strategic value for drug development or other biotech operating companies.

In many cases, the data sets contain information that can lead to the development of effective therapies based upon certain biological or genetic factors that are uncovered through data analysis. While

the results may be derived from one or several data sets, much of the information is from clinical trials that have already taken place. In effect, these discoveries can cut years and millions of dollars from drug discovery operations.

These assets, once protected, will be offered to the industry. Depending on the situation, there may be a large upfront payment, or there may be a smaller initial payment with recurring payments over time. In either case, the value to industry will greatly exceed the discovery and protection costs associated with the assets. With minimal overhead, it is expected that this will become a high margin business.

#### *Directors and Management of Blueprint Bio*

##### *Matthew Nunez, Chairman, CEO and Co-Founder*

Matthew Nunez is the Co Founder, Chairman and CEO of Blueprint Bio, an industry leading biomarker discovery and licensing company. Matthew has 15 years of operational and investing experience across several technology industries. He is currently Chairman, Co Founder and CEO of BluePen Biomarkers LLC, a joint venture between Blueprint Bio, Emerald Logic and the University of Pennsylvania. This joint venture is the world's only fully integrated multi-omic biomarker discovery platform serving both the research and pharmaceutical industries.

Matthew is a Board Director of Emerald Logic, the industry leader in signal processing-based 'omic analysis in biomarker discovery, clinical trial enrichment and drug response research. Matthew is also a Board Director and Advisor at Lyceum Pharmaceuticals, Inc., a company that combines unique genomic intellectual property with a novel R&D strategy to develop qualitatively superior pharmaceuticals.

Matthew has been instrumental in several public company launches and has been an activist investor in a variety of technology industries. For the past several years he has been cultivating strategies to advance medical research by accelerating the integration of biomarker discovery for use in prognostics, diagnostics and course of treatment. His extensive relationships in the technology, financial, and operational sectors of industry have enabled him to develop this vision into the current ecosystem of companies.

##### *Patrick Lilley, CEO*

Patrick Lilley, Director, is CEO of Emerald Logic. Emerald's mission is to make personalized medicine a reality, in order to reduce patient suffering, treatment costs, and drug development risk. Emerald's bio-inspired signal processing technology is proven to solve problems that no other analytics method can. The company's customers include major pharma, renowned clinics, and world-class research institutions. Patrick has spent the last 25 years driving growth and innovation in biotech, software, high-performance computing, and mobile wireless. He is a veteran of hyper-growth through every stage from start-up to \$4.5 billion in annual revenue, and has conducted business on every continent except Antarctica. Patrick was CEO of two startups prior to co-founding Emerald Logic, one sold to HP for \$160 million and one to European investors for 10X return in one year. He was VP, Operations of an additional startup that Microsoft bought for \$275 million. Patrick holds 10 patents in artificial intelligence, disease prognosis, compression, and embedded computing. He has guest lectured at CalTech, MIT, Stanford, Berkeley, USC, Brandman University, and UC Irvine. He holds a BA in Economics and an MBA specializing in strategy and quantitative finance, both from UC Irvine.

### ***Blue Pen Biomarkers, LLC***

By de-risking and accelerating biomarker discovery, Blueprint Bio is actively collaborating with the researchers and companies that can create tomorrow's personalized medical solutions today. One example of this approach is the relationship Blueprint Bio has developed with the University of Pennsylvania's Blair Laboratory. Dr. Blair's laboratory consists of 2,000 nsf of new laboratory space on the eighth floor of the Biomedical Research Building II/III on Curie Boulevard on the University of Pennsylvania campus.

The lab is equipped with four Waters 2690 Alliance HPLC and five Hitachi gradient HPLC systems (four 6200, one 7100) each fitted with Hitachi (L-4200, L-2400) UV detectors and Hitachi (D-2500) printing integrators and Autosampler 2200/EZ. Two of the Waters systems are attached to triple quadrupole mass spectrometers. There are five tandem mass spectrometers (two Thermo Finnigan TSQ Quantum Ultra, one Applied Biosystems API4000) and five LC/ion trap mass spectrometers (Thermo Finnigan LCQ classic three dimensional ion trap and LTQ linear ion trap) and one Thermo Finnigan LTQ-FT Fourier transform ion cyclotron resonance instrument. The availability of this instrumentation allows both quantitative and structural determinations to be performed in Blueprint's many projects as well as offer support to other Center Investigators.

In order to further facilitate research at this lab, Blueprint has provided certain equipment (mass spectrometer) to the lab. Any work for hire or research coming from the lab will now be protected as property belonging to a special purpose vehicle **Blue Pen Biomarkers LLC** that is jointly owned by Blueprint Bio, Emerald Logic, Ian Blair and the University of Pennsylvania Trustees. This collaboration enables the identification, protection, and marketing of intellectual property derived by the laboratory to further personalized medicine initiatives internationally.

Blue Pen Biomarkers is the world's only fully integrated multi-omic biomarker platform that addresses the need to accelerate the development of highly predictive biomarkers for academia and industry. Blue Pen Biomarkers combines the products of genomics, proteomics, metabolomics, and lipidomics research using a sophisticated combinatorial analytic approach provided by Emerald Logic to provide integrated biomarker solutions.

This is the only fully integrated commercial 'omics platform currently available that can quickly yield highly predictive biomarkers. The underlying conviction is that any intervention that has a predictable biologic outcome will have a detectable predictive biomarker signature. The challenge is to detect the signature.

Blue Pen's comprehensive multi-omics platform married to Emerald Logic's signal processing analytic approach provides a uniquely powerful solution. To quote Andrew Grove (Intel co-founder and former CEO) "a strategic inflection point is a time in the life of business when its fundamentals are about to change" BluePen Biomarkers is creating a strategic inflection point in the development of biomarkers that will transform the approach to the evaluation and development of medical interventions.

### ***Directors and Management of Blue Pen Biomarkers, LLC***

#### ***Matthew Nunez, Chairman and Chief Executive Officer***

Matthew is the Co Founder, Chairman and CEO of Blueprint Bio, an industry leading biomarker discovery and licensing company. He has 15 years of operational and investing experience across several technology industries.

Matthew is also a Board Director of Emerald Logic, the industry leader in signal processing-based ‘omic analysis in biomarker discovery, clinical trial enrichment and drug response research.

Additionally, he is a Board Director and Advisor at Lyceum Pharmaceuticals, Inc. Lyceum combines unique genomic intellectual property with a novel R&D strategy to develop qualitatively superior pharmaceuticals. Lyceum’s technology grows out of research from the lab of University of California Irvine Professor Michael R. Rose.

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*Michael Poisel, Director*

Since joining the University of Pennsylvania in 2009, Michael has been building entrepreneurial programs for the university. He currently manages PCI Ventures, which includes UPstart, AppitUP, and UPadvisors.

The mission of UPSTART is to provide Penn faculty and staff with the means and support to launch businesses based on their promising research. Through the creation of the companies, UPSTART focuses the faculty member on applied research and building the commercial value of the technology to their benefit as well as the university and society in general. After the company is formed, UPSTART continues to assist in the development of the business by providing several additional entrepreneurial services including Addressable Market Analysis, Product Strategy Development, Fund Raising Assistance, Commercialization Grant Preparation and Management Team Recruitment.

In the past four years, UPSTART has initiated over 100 company projects of which many are now operating businesses.

Prior to Penn, Michael made investments in enterprise software and business services for NewSpring Capital, Apax Partners and GE Capital spanning more than ten years in private equity. He began his career in manufacturing operations for General Electric/Lockheed Martin and participated in the successful completion of several commercial and government satellite programs.

Michael graduated with honors in Mechanical Engineering from Rose-Hulman Institute of Technology, holds an M.S. in Systems Engineering from The Moore School of Engineering of the University of Pennsylvania, and has an M.B.A. in finance and entrepreneurial management from The Wharton School of Business of the University of Pennsylvania.

*Ian Blair, Director and Chief Scientific Officer*

Dr. Blair received his Ph.D. in Organic Chemistry in 1971 from Imperial College of Science and Technology, London, under the mentorship of the 1969 Nobel Laureate, Sir Derek H.R. Barton. He was appointed as the A.N. Richards Professor of Systems Pharmacology and Translational Therapeutics at University of Pennsylvania in 1997 and Director of a new Center for Cancer Pharmacology. In 2002, Dr. Blair was appointed as Vice-Chair of the Department of Systems Pharmacology and Translational Therapeutics.

In 2014, he became Director of the Penn Superfund Research and Training Program Center, which is funded by the National Institute for Environmental Health Sciences. This Center is conducting studies on the fate, transport, remediation and adverse health effects of asbestos with a focus on the concerns of the community in Ambler, PA.

Dr. Blair is an expert in the use of mass spectrometric methods for the structural elucidation and quantification of endogenous biomolecules. His current research is involved with the development of biomarkers in order to establish genetic/phenotype correlations and to assess the interaction between genes and exposure to environmental chemicals. He is particularly interested in the regulation of cellular oxidative stress and how this underpins mechanisms involved in carcinogenesis, cardiovascular disease, and neurodegeneration. Dr. Blair discovered electron capture atmospheric pressure chemical ionization, a technique that makes it possible to conduct high sensitivity quantitative analyses of chiral biomolecules.

He is a Fellow of the American Association for the Advancement of Science and the American Association of Pharmaceutical Scientists. He received the 2011 Eastern Analytical Award for Outstanding Achievements in Mass Spectrometry. Dr. Blair is Senior Editor of Future Science Open and is on the editorial boards of Molecular and Cellular Proteomics and Journal of Lipid Research. He has published over 360-refereed manuscripts and he has an h-index of 62.

*Patrick Lilley, Director*

Patrick Lilley, Director, is CEO of Emerald Logic. Emerald's mission is to make personalized medicine a reality, in order to reduce patient suffering, treatment costs, and drug development risk. Emerald's bio-inspired signal processing technology is proven to solve problems that no other analytics method can. The company's customers include major pharma, renowned clinics, and world-class research institutions. Patrick has spent the last 25 years driving growth and innovation in biotech, software, high-performance computing, and mobile wireless. He is a veteran of hyper-growth through every stage from start-up to \$4.5 billion in annual revenue, and has conducted business on every continent except Antarctica. Patrick was CEO of two startups prior to co-founding Emerald Logic, one sold to HP for \$160 million and one to European investors for 10X return in one year. He was VP, Operations of an additional startup that Microsoft bought for \$275 million. Patrick holds 10 patents in artificial intelligence, disease prognosis, compression, and embedded computing. He has guest lectured at CalTech, MIT, Stanford, Berkeley, USC, Brandman University, and UC Irvine. He holds a BA in Economics and an MBA specializing in strategy and quantitative finance, both from UC Irvine.

*Science Writer, Charles A. Goldthwaite, Jr., PhD.*

Dr. Goldthwaite obtained his MS in Chemistry from Vanderbilt University, Nashville, TN and his PhD in English Literature from University of Virginia, Charlottesville, VA.

He has extensive experience writing and editing documents (journal articles, conference/teleconference summaries, continuing medical education materials, feature stories, slide kits, and grant proposals) for technical and lay audiences on a wide range of scientific and biomedical topics.

Subject areas of focus include obesity, diabetes, biomarkers and surrogate endpoints in clinical research, proteomics, genomics, depression, stem cells, and national clinical research policy.

*Blueprint, Emerald and Blue Pen Advisory Board Members*

*Thomas A. Baillie, MSc, PhD, DSc.*

Professor Baillie is Dean Emeritus of the School of Pharmacy at the University of Washington in Seattle, WA, where he also served as Vice Provost for Strategic Initiatives. He was born in Scotland and educated at the University of Glasgow, where he earned B.Sc. (Hons) and Ph.D. degrees in Chemistry in 1970 and 1973, respectively. He also holds an M.Sc. degree in Biochemistry from the University of London (1978) and was awarded the degree of D.Sc. in Chemistry from the University of Glasgow in 1992.

Following postdoctoral research at the Karolinska Institute in Stockholm, Sweden (1973-75), Dr. Baillie held successive faculty positions at the University of London (1975-78), University of California San Francisco (1978-81), and University of Washington (1981-94). He then joined Merck Research Laboratories in West Point, PA, where he was Global Vice President of Drug Metabolism & Pharmacokinetics until 2008, at which point he returned to the University of Washington where he served as Dean of the School of Pharmacy until his retirement in 2016.

Dr. Baillie's research interests center on the application of mass spectrometry and allied techniques to mechanistic studies on the metabolism of foreign compounds, with particular emphasis on the generation of chemically reactive, potentially toxic products of biotransformation. He has co-authored over 200 peer-reviewed publications, serves on the Advisory Boards of a number of journals and academic research centers, and acts as a consultant to several companies in the pharmaceutical and biotechnology industries.

Currently, he is President Elect of the International Society for the Study of Xenobiotics (ISSX). Dr. Baillie was awarded a Fogarty Senior International Fellowship from the NIH in 1988, was the recipient of the James R. Gillette Award from the American Society for Pharmacology & Experimental Therapeutics (2001), and received the Lifetime Achievement Award from the International Isotope Society (2009).

In 2010, he was elected as a Fellow of the Royal Society of Chemistry and a Fellow of the Japanese Society for the Study of Xenobiotics. In 2011, Dr. Baillie became a Fellow of the American Chemical Society and, in 2012; he received the Founder's Award from the ACS Division of Chemical Toxicology. Most recently, he was the 2014 recipient of the North American Scientific Achievement Award from ISSX.

*Ian Blair Ph.D*

Mr. Blair is the Director, Center for Cancer Pharmacology, University of Pennsylvania School of Medicine / Investigator, Abramson Cancer Center, University of Pennsylvania School of Medicine / Member, Institute for Medicine and Engineering, University of Pennsylvania School of Medicine / Investigator, Genomics Institute, University of Pennsylvania School of Medicine / Scientific Director, Proteomics Core Laboratory, Genomics Institute and Abramson Cancer Center, University of Pennsylvania School of Medicine / Vice Chair, Department of Pharmacology, University of Pennsylvania School of Medicine / Scientific Director, Mass Spectrometry Facility, Department of Chemistry, University of Pennsylvania / Director, Program in Systems Biology, Institute for Translational Medicine and Therapeutics, University of Pennsylvania School of Medicine /Member, Institute for Translational Medicine and Therapeutics, University of Pennsylvania School of Medicine.

The Blair Lab at the University of Pennsylvania is one out of 40 member labs within the Center for Cancer Pharmacology, a Type I center, within the Department of Systems Pharmacology and Translational Therapeutics. The laboratory is involved in determining the factors that control lipid hydroperoxide-mediated damage to DNA, and proteins. They are also characterizing the lesions in these macromolecules using novel mass spectrometry methodology, determining how the lesions affect proliferation and apoptosis using model in vitro systems, and assessing how such processes can be prevented using novel pharmacological agents.

There is a program in biomarker discovery and analysis, which is focused on metabolomic and proteomic biomarkers of smoking, pancreatic cancer, breast cancer, and neurodegenerative diseases. This involves the use of quantitative stable isotope dilution liquid chromatography-mass spectrometry methodology. The lab recently implemented the use of stable isotope dilution by essential nutrients in cell culture (SILEC) as a method for analyzing important Krebs cycle coenzyme A-thioesters. This has made it possible to examine the effects of chemicals and disease on mitochondrial dysfunction.

*Raymond C. Dubois, MD, PhD*

Dr. DuBois is physician scientist and administrator with expertise in basic, translational and clinical research. He is currently the Dean of Medicine at the Medical University of South Carolina and holds a joint appointment at the Mayo Clinic. Dr. DuBois is internationally renowned for his work in cancer prevention. In groundbreaking research, he elucidated the role of cyclooxygenase 2 (COX-2) in colon cancer and the contributions of the lipid metabolite prostaglandin E2 (PGE2) to tissue inflammation in the etiology of colon cancer.

This research led to the finding that use of a COX-2 inhibitor reduced polyp formation in patients with familial adenomatous polyposis. His recent research has focused on molecules involved in tissue inflammation and epigenetic changes in colorectal cancer progression, showing that PGE2 induces DNA methylation in PGE2-treated colon cancer cells and mouse interstitial tissues, leading to selective silencing of tumor suppressor genes.

He is a Fellow of the American Association for the Advancement of Science and he received the 2004 Distinguished Achievement Award of the American Gastroenterology Association. Dr. DuBois is a past President of the American Association for Cancer Research and the American Gastroenterology Association.

*Hugh Joseph Cornyn*

Hugh Joseph (Joe) Cornyn has spent a lifetime in high technology. His career began at Pratt Institute, where he received his B.S. in Electrical Engineering. Upon graduation in 1952 he joined Bell Laboratories as a member of the technical staff, and participated at the beginning of the semi-conductor transistor revolution. He helped characterize these initial devices and applied them in circuit development for solid state military applications.

He joined the RCA semiconductor start up division and worked with the U.S. Army on advanced super high speed computing for both the Army Security Agency and National Security Agency. Joe then became Product Line Manager for the division's transistors marketed to the computer industry.

In 1963 he moved to Westinghouse, where he became director of all product lines in their newly established Molecular Electronics (integrated circuits) Division, rising to General Manager of West Coast operations with full P/L responsibility.

In 1966 Joe was named Managing Director of Data Products Ireland in Dublin, Ireland, a turnaround entrepreneurial opportunity that required restructuring and leadership to invigorate and acquire talent in and outside of Ireland. Key experienced Irish engineers from US and UK were aggressively pursued to come home and make their mark. Focus on finance, marketing, sales, engineering, and manufacturing led to a successful profitable company.

Joe established a deep respectful relationship with community and Government resulting in multimillion pounds of additional Grants and the company was used by IDA to influence and attract other high technology companies to the Republic.

In 1970 he moved to California, where he became VP of Sales and Marketing of the OEM division of Data Products, a \$75 million segment of the business directing the marketing, sales and product direction for printers, disc drives and core memories. He structured and led this group to leadership position in very competitive industry for independent peripherals suppliers and acquired a broad base of major customers in mainframe and minicomputer segments -- IBM, Burroughs, CDC, Univac, DEC, HP and others in national and international markets.

In 1976 he helped to form Nanon, a semiconductor/memory startup. In 1977 Joe was recruited by government of Ireland to consult in attracting industry and manufacturing to the Republic. He was then recruited by Epson America/Seiko as VP/General Manager to create their OEM Products division that included printers, disc drives, LCD and CMOS Integrated circuits.

In 1982, Joe returned to academia at Trinity College of Graduate Studies where he pursued a degree in psychology with emphasis on healing therapies and organizational development, served on the Board of Trustees and as President Pro Tem.

*Garret Fitzgerald Ph.D, MD - Head of Scientific Advisory*

Dr. FitzGerald serves as the Chairman of Pharmacology at University of Pennsylvania. He also serves as a Member of the Advisory Panel of Logical Therapeutics, Inc. and as a Member of Scientific Advisory Board at Accelalox Inc. Dr. FitzGerald is the Director of the Institute for Translational Medicine & Therapeutics and Professor of Medicine and Pharmacology at the University of Pennsylvania. Dr. FitzGerald is one of the leading experts in the world on topics related to the pharmacology and toxicology of NSAIDs.

Using science to challenge what we know and believe has been a hallmark of Garret FitzGerald since the early 1980's when he contributed substantially to the development of low dose aspirin for cardioprotection and began work on developing a fundamental understanding of the role of arachidonic acid metabolites in inflammation and atherothrombosis. The fundamental importance of his work has changed how we practice medicine and develop drugs.

The contribution of Garret FitzGerald to scientific discovery - specifically, his work on non-steroidal anti-inflammatory drugs (NSAIDs) including low dose aspirin and COX-2 inhibitors - was recognized by the Royal Dublin Society in the awarding of the Boyle Medal in association with the Irish Times.

Garrett FitzGerald is a strong proponent of translational medicine and therapeutics. "We must project basic science into the domain of clinical medicine and emphasize the objective to discover new and safer therapeutic entities."

*Perry Halushka, MD, PhD*

Dr. Perry Halushka received his PhD and MD degrees from the University of Chicago. He completed an internship and residency in internal medicine at Grady Memorial Hospital followed by a Postdoctoral Fellowship in Clinical Pharmacology at the National Institutes of Health. In 1974, he joined the faculty of the Medical University of South Carolina (MUSC) as an Assistant Professor of Pharmacology and Medicine and ultimately became a Professor of Pharmacology and Medicine.

In 2000 he was named Dean of the College of Graduate Studies, a position he held for 13 years. As Dean, he transformed the College of Graduate Studies, creating a common application and entry pathway into the graduate degree programs. This approach included an entirely new unified core curriculum for first--year students as well as courses in professional development, diversity awareness, and grant-writing and new research training opportunities.

He currently holds the titles of Distinguished University Professor and Dean Emeritus, College of Graduate Studies. He is widely known for his research on thromboxane receptors. He has published over 225 scientific papers and over 50 book chapters and invited scientific reviews. He has been the Co--PI for the NIH funded Clinical and Translational Sciences Award that partially funds the South Carolina Clinical and Translational Research Institute (SCTR) for the past seven years. He has been integrally involved with the leadership of the SCTR since its inception and has been the director of the Pilot Project program, director of the TL1 training program and a co--director of the KL2 scholar's program.

He has served as a consultant to numerous major pharmaceutical companies and several startup companies. He currently serves on the Pharmaceutical Advisory Board for Ironwood Pharmaceuticals, Inc. For 28 years, Dr. Halushka has directed the NIH funded Medical Scientist Training Program at MUSC. In that capacity, he has engendered an excitement for translational research ("bench-to-bedside") and created for students a singular opportunity to obtain simultaneous MD/PhD degrees.

*Babak Hassibi Ph.D*

Dr. Hassibi is the Gordon M. Binder/Amgen Professor and Associate Director for Information Science and Technology and is Executive Officer for Electrical Engineering, California Institute of Technology. He was previously Professor of Electrical Engineering at CalTech as well as Member of Technical Staff, Mathematics of Communications Research, Bell Laboratories, Lucent Technologies.

His research is in communications, signal processing, and control and is currently most interested in wireless networks and in genomic signal processing. In the wireless network area he studies modeling issues, information-theoretic questions, scheduling, protocols, various performance criteria, etc. In the genomic signal processing area Dr. Hassibi has been studying real-time DNA microarrays, a novel technology that has been developed at CalTech.

Earlier work includes: multi-antenna systems (e.g., space-time codes); efficient decoding algorithms in communications; adaptive signal processing and neural networks; blind channel equalization; statistical signal processing; robust estimation and control, especially connections between robustness and adaptation; and linear algebra, with emphasis on fast algorithms, random matrices and group representation theory.

He is the recipient of the 2003 Presidential Early Career Award for Scientists and Engineers, the 2003 David and Lucille Packard Fellowship for Science and Engineering, the Okawa Foundation Research Grant in Information Sciences in 2002 and the National Science Foundation Career Award in 2002.

*Ian Jardine, PhD*

Dr. Jardine earned a doctorate in organic chemistry/mass spectrometry from the University of Glasgow (Scotland) in 1973, after which he completed a fellowship at the Johns Hopkins University School of Medicine (Baltimore). He then held an assistant professorship at Purdue University (Indiana; 1976-1979) and a Professorship at the Mayo Clinic and Mayo Medical School (Rochester, Minnesota; 1979-1988).

He then joined Thermo Fisher Scientific's mass spectrometry division as director of marketing, and then subsequently became president of the chromatography and mass spectrometry division. He was named vice president, global research and development of Thermo Fisher Scientific Corporation in 2004. Dr. Jardine was responsible for coordinating and overseeing all of Thermo's R&D efforts as well as driving higher levels of excellence in the R&D function. His responsibilities included: project selection, program discipline, leveraging technologies across Thermo and being a spokesperson externally to create visibility for Thermo's innovations.

Over his career, Dr. Jardine published >50 peer reviewed scientific papers and book chapters. Upon retiring in 2014, was awarded the first Lifetime Achievement in Innovation Award from Thermo Fisher Scientific.

*Jiayu Liao, PhD*

Dr. Liao's research includes studies on signal transduction pathways, small ubiquitin-like modifier ligase, G protein-coupled receptors, and lipid receptors. He has developed several high-throughput screening systems for drug candidates.

Dr. Liao has made some important discoveries of novel G-protein coupled receptors (GPCRs) particularly associated with taste receptors utilizing bioinformatic methods. Recently he has found evidence for several fatty acid receptors that may play an important role in understanding fatty acid induced insulin resistance and the relationship between obesity and diabetes.

He was one of the first scientists to discover the human sweet receptors and is the leading inventor of an issued sweet receptor patent. He also discovered the first family of SUMO E3 ligase-PIAS. Dr. Liao's collaborative research led to the establishment of both US and China national drug screening centers, and further collaboration led to the creation of the Chinese National Compound Laboratory, the only national high-throughput screening center in China, hosting the world's largest open access compound library.

As the founding scientist of GPCR platform at Novartis' Genomic Institute of Novartis Research Foundation, he was involved in the development of blockbuster drug Gilenya. His research also led to the discovery that established Receptos, acquired by Celgene for \$7.2 billion. While at Argusina, Dr. Liao led the discovery and development of the world's first orally available small molecule modulators of GLP1 receptor. He is the founder and a board member at Argusina Inc. and is Founder and President of Attaisina, Inc.

Dr. Liao is on the founding faculty for the UCR Bioengineering Department, a Fellow of the American Institute of Medical and Biological Engineering, a member of the Institute for Integrative Genome Biology, a member of the Stem Cell Center at UCR, has served as a Sr. Fellow at Scripps Research Institute and the Genomic Institute of Novartis Research Foundation. Dr. Liao is widely published and cited internationally.

*Milton Lohr*

Mr. Lohr has over 40 years of extensive experience as a Research and Development engineer, entrepreneur, business executive and U.S. Government Official covering a broad range of high technology, defense and commercial systems. His experience includes starting new high technology companies with activities in corporate development, venture capital, international partnering and has served on the Board of Directors of high technology, public and private corporations. He was appointed to the State's Defense Conversion Council by Governor Wilson, and chaired the Capital Formation Committee. This Committee received a Model of Excellence Award from the office of Advocacy of the Small Business Administration for its contribution to Venture and Seed capital development.

He served as the first Deputy Under Secretary of Defense for Acquisition in both the Reagan and Bush administrations, with responsibility to assist in overseeing DOD's major Acquisition and Technology Programs, International Programs and U.S. Arms Control Compliance activities. He also served as U.S. Acquisition Representative to the NATO Conference of National Armament Directors and the Four Power Group with oversight in U.S. armament cooperative programs and developing and establishing policy initiatives aimed at promoting cooperation on major weapon systems and technology among the NATO Allies.

Current experience includes serving over 20 years as a Corporate Director of Ceradyne, Inc. with sales of approximately \$400M/year. Mr. Lohr has hands-on experience in the research and development of technology and its transition to viable products in aviation, commercial radar, infrared, optics and space instrumentation.

Mr. Lohr, as Executive Vice President, was one of two principals in Flight Systems Inc., which developed and produced sophisticated electronics and drone conversion and operation of F-86 aircraft. He was founder and CEO of Defense Research Corporation and held senior positions with: TITAN, TRW and Aeronutronic (Ford) involved in development of military electronics, and was associated with Defense Development Corp., L.F. Global, devoted to venture capital activities and serving on advisory boards. He was founder and chairman of INTERPAR in Washington, D.C., a company devoted to assisting U.S. corporations in forming business alliance with European companies.

He received a BE degree in Engineering from USC and an MS degree from UCLA. He was a member of the Army Science Board and served on Panels of both the President's Science Advisory Committee and the Defense Science Board. He was awarded the Secretary of Defense Distinguished Public Service Medal, the Army's Outstanding Civilian Service Medal, the Secretary of Defense Meritorious Civilian Service Medal and the Army's Certificate of Appreciation for Patriotic Civilian Service.

*David Madigan Ph.D*

Dr. Madigan is currently the Executive Vice-President for Arts & Sciences, Dean of the Faculty, and Professor of Statistics at Columbia University in the City of New York. He previously served as Chair of the Department of Statistics at Columbia University (2008-2013), Dean, Physical and Mathematical Sciences, Rutgers University (2005-2007), Director, Institute of Biostatistics, Rutgers University (2003-2004), and Professor, Department of Statistics, Rutgers University (2001-2007).

Dr. Madigan received a bachelor's degree in Mathematical Sciences and a Ph.D. in Statistics, both from Trinity College Dublin. He has previously worked for AT&T Inc., Soliloquy Inc., the University of Washington, Rutgers University, and SkillSoft, Inc. He has over 100 publications in such

areas as Bayesian statistics, text mining, Monte Carlo methods, pharmacovigilance and probabilistic graphical models. He is an elected Fellow of the American Statistical Association and of the Institute of Mathematical Statistics. He recently completed a term as Editor-in-Chief of *Statistical Science*.

In partnership with PhRMA and the FDA, the Foundation for the National Institutes of Health (FNIH) launched the Observational Medical Outcomes Partnership (OMOP), a public-private partnership. This interdisciplinary research group has tackled a surprisingly difficult task that is critical to the research community's broader aims: identifying the most reliable methods for analyzing huge volumes of data drawn from heterogeneous sources.

OMOP has demonstrated the feasibility of establishing a common infrastructure which can accommodate observational data of different types (both claims and EHRs) from sources around the world, and successfully developed and executed large-scale statistical analyses capable of enabling active drug safety surveillance across prescription medications.

For the past three years, David has worked as a principal investigator on the OMOP research program, making significant contributions to the project's methodological work including the development, implementation, and analysis of a variety of statistical methods applied to various observational databases. His expertise is in the application of statistical methods to large-scale data problems. David is interested in large-scale predictive modeling and statistical analysis of healthcare data.

*Michael R. Rose, PhD*

Dr. Rose is a Professor in the Department of Ecology and Evolutionary Biology at the University of California, Irvine. He attended the University of Sussex for his doctoral studies under the supervision of Brian Charlesworth and John Maynard Smith. The subject of his doctoral research was the quantitative genetics of aging in *Drosophila melanogaster*.

A N.A.T.O. Science Fellowship took Rose to the University of Wisconsin - Madison, in 1979, to work with James F. Crow at the Department of Genetics. A federally-funded research faculty position took Rose to Canada in 1981, where he became an Assistant Professor in the Department of Biology, Dalhousie University, Halifax, Nova Scotia. There he set up a *Drosophila* laboratory, as well as continuing with theoretical work. He was promoted to Associate Professor and tenured in 1985.

While at Dalhousie, Rose pursued postponed aging, beginning with the organismal physiology involved, particularly energetic metabolism. This work extended aging research in an influential new direction, combining physiology with evolution. In particular, Rose and his students showed that resistance to various stresses was a key factor in postponed aging; flies with the genetic capacity to live longer are better able to resist stress at every adult age. This work has opened up new avenues of research on aging, with collaborations between physiologists and evolutionists of increasing importance.

In 1987, Rose returned to the United States to become an Associate Professor at the University of California, Irvine. In addition, Rose published *Quantitative Ecological Theory*, in 1987. In 1990, Rose was promoted to Professor. In 1991, his *Evolutionary Biology of Aging* appeared, a book that ranged from mathematical genetics to cell biology. This work offered a view of aging that was a complete departure from the views that had dominated the aging field since 1960. The journal *Evolution* described the field of gerontology as having become "after Rose".

In 1997, Rose received the Busse Prize of the World Congress of Gerontology. In 1998, his book *Darwin's Spectre* was published, a popular introduction to the history and significance of evolutionary biology. In 2004, a compendium of his laboratories' research findings was published as *Methuselah Flies*.

His latest books are *Experimental Evolution* (with T. Garland) and *Does Aging Stop?* (with L.D. Mueller and C.L. Rauser).

Dr. Rose has also suggested that aging can stop in a latter stage of life. The field of aging biology is divided between those who think that it will be very difficult to develop technology to postpone human aging and those who expect breakthroughs in this field in the near future. Rose is an outspoken advocate for the former position.

### **Asset Management and Servicing**

It is anticipated that all Portfolio Company and Spin-Off Corporation Investments will be managed and serviced by the General Partner.

### **Reserve Fund**

A contingency reserve fund of up to 5% or more of the gross proceeds of this offering will be established and maintained for the purpose of covering unexpected cash needs of the Partnership. Reserve funds are not invested in Portfolio or Spin-Off Corporation Investments but are invested in short-term investments which provide lower yields than Portfolio or Spin-Off Corporation.

### **Special Purpose Entities**

When appropriate to insulate our general assets against liabilities arising from particular investments, to minimize the tax liability of the Partnership, or for other reasons, we may use special purpose entities to hold interests in Spin-Off Corporation Investments.

### **Identification of JV Partners and JV partnership for investment purposes**

#### **Investment Committee**

The General Partner intends to appoint an Investment Committee (the “Investment Committee”). The Investment Committee will meet as frequently as may be deemed necessary in order to attend to and oversee the business affairs of the Partnership.

Decisions relating to the acquisition and disposition of Spin-Off Corporation Investment will be made by the Investment Committee of the General Partner consisting of up to seven (7) Limited Partners that have invested at least \$1,000,000. The Investment Committee will have discretion with respect to the Spin-Off Corporation Investment.

Once selected, the investments must be approved by a majority of the Investment Committee, as being fair and reasonable and consistent with the Partnership’s investment objectives. If the Investment Committee approves an acquisition and or disposition, then the General Partner will be directed to enter into or sell the investment in the Spin-Off Corporation (and in some cases, distribute the shares from a publicly traded Partnership to the Limited Partners as a distribution or a pay down of the Capital Account Balances of the Limited Partners) on the Partnership’s behalf, if such acquisition or disposition can be completed on terms approved by the Investment Committee.

The Chairman of the Investment Committee is a member of Forentis Partners, LLC, the General Partner of the Fund.

### *Gerald (Jerry) Conrad, Chairman*

Gerald Conrad has been involved in the financial services industry for over 30 years. During his career he has had a broad array of experiences including formation of First National Bank of Marin, the first secured credit card issuer. He also built at that time Quantitative Data Systems, a secured credit card processing platform. The bank went on to become very successful and was eventually sold to the Sherman Group in excess of \$150 million.

In 2005 Gerald recognized that the prepaid debit card industry was perfectly positioned to serve the growing number of the non-banked population. To capitalize on this emerging and new financial services product he formed a strategic relationship with Meta Bank and went on to become an MSP for MasterCard. After significant research he developed a state-of-the-art technology platform that enabled financial institutions to offer a small value line of credit product (LOC) to the under-banked and unbanked U.S. consumers. Primary Innovations, LLC was formed and in November 2006. The Primary processing platform was tested on traditional payroll cards, making it the first bank-sponsored small value LOC product offered on a prepaid debit card program. In 2008 the MLOC program under the iAdvance brand was awarded “Best New Product” at the annual Prepaid Cards Expo. Since then the Primary platform processed over 3 million LOC transactions and supported LOC programs that generated annualized LOC funding in excess of \$500 million.

Currently since 2010 Gerald Conrad is Chairman of iTransfer/Unidos Financial Services. iTransfer/Unidos is a global player in the consumer-to-consumer money transfer market, currently offering cost effective, safe, and reliable service to more than 70 countries. iTransfer/Unidos is a member of a group of privately held international financial services companies. iTransfer/Unidos processed over \$1.5 Billion dollars of transactions during 2014 and is on a run rate to exceed \$2 Billion in 2015. iTransfer/Unidos is a Money Service Business (MSB) with over 5000 agents in the US, and 1400 points of presence in Mexico. iTransfer/Unidos is a Prepaid Debit Card Program Manager for Ban Bajio, the 4th largest independent Bank in Mexico. Also a Visa International authorized processor for prepaid debit cards. iTransfer/Unidos is a Visa distribution partner having issued over 400k cards to date.

#### *Other companies Gerald Conrad is affiliated with:*

Gerald Conrad is also the Chairman of Catalina Card Services, Inc. a “Payments” company – which develops and/or facilitates payment mechanisms or accounts for consumers and businesses.

Gerald Conrad, Chairman of Financial Services Software Development (FSSD) Located in New York. FSSD has a world class management team in software development with significant industry experience and has created an award winning integrated cloud platform that ties together the solutions of the underserved consumers and retailers who serve them.

Gerald Conrad, Chairman of Transaction Processing Partners of Texas, Inc. (TPPT) founded in 2004 located in Round Rock, Texas. TPPT owns and operates the ePayments Network, a payments processor and gateway. The ePayments Network has 500+ merchants processing throughout the US and Puerto Rico. In 2014 ePayments Network processed over 90 million dollars.

### **Operations**

We currently utilize the property leased by Mr. Goth at no charge. We have no plans at this time to find any other property for our operations and no agreement with Mr. Goth for use of the leased space.

## **Competition**

We face significant competition in all areas of its business. These areas include attracting and/or retaining investor funds, financial and securities professionals to represent us.

Our competition for investor funds comes from other uninsured products, such as mutual funds provided by insurance companies and brokerage firms, in addition to, insured money market accounts and certificates of deposit provided by commercial banks.

Our competition for Spin-Off Corporation Investments comes from other diagnostic companies, both public and private.

Our competition for attracting and retaining financial and securities professionals to represent the Partnership comes from the entire business community. Our competition for the services of these professionals could increase should the economy begin expanding increasing the demand for the services provided by these types of professionals.

## **Governmental Regulations**

### *United States*

Spin-Off Corporation products and operations are subject to extensive and rigorous regulation by the United States Food and Drug Administration and other federal, state, local and foreign authorities. The Spin-Off Corporation will seek regulatory clearances or approvals in the United States and other jurisdictions to market certain assays for diagnostic purposes. The clinical diagnostics to be developed will most likely be classified as “medical devices” under the United States Food, Drug and Cosmetic Act, or the FDCA. The FDA regulates, among other things, the research, development, testing, manufacturing, approval, labeling, storage, recordkeeping, advertising, promotion and marketing, distribution, post approval monitoring and reporting and import and export of medical devices in the United States to assure the safety and effectiveness of such products for their intended use.

Unless an exemption applies, each new or significantly modified medical device that a Spin-Off Corporation seeks to commercially distribute in the United States will require either a premarket notification to the FDA requesting permission for commercial distribution under Section 510(k) of the FDCA, also referred to as a 510(k) clearance, or approval from the FDA of a PMA application. Both the 510(k) clearance and PMA processes can be expensive, and lengthy, and require payment of significant user fees, unless an exemption is available.

### *Device Classification*

Under the FDCA, medical devices are classified into one of three classes – Class I, Class II or Class III – depending on the degree of risk associated with each medical device and the extent of control needed to provide reasonable assurances with respect to safety and effectiveness.

Class I devices are those for which safety and effectiveness can be reasonably assured by adherence to a set of regulations, referred to as General Controls, which require compliance with the applicable portions of the FDA’s Quality System Regulation, or QSR, facility registration and product listing, reporting of adverse events and malfunctions, and appropriate, truthful and non-misleading labeling and promotional materials. Some Class I devices, also called Class I reserved devices, also require premarket clearance by the FDA through the 510(k) premarket notification process described below. Most Class I products are exempt from the premarket notification requirements.

Class II devices are those that are subject to the General Controls, as well as Special Controls, which can include performance standards, guidelines and postmarket surveillance. Most Class II devices are subject to premarket review and clearance by the FDA. Premarket review and clearance by the FDA for Class II devices is accomplished through the 510(k) premarket notification process. Under the 510(k) process, the manufacturer must submit to the FDA a premarket notification, demonstrating that the device is “substantially equivalent,” as defined in the statute, to either:

- a device that was legally marketed prior to May 28, 1976, the date upon which the Medical Device Amendments of 1976 were enacted, or
- another commercially available, similar device that was cleared through the 510(k) process.

To be “substantially equivalent,” the proposed device must have the same intended use as the predicate device, and either have the same technological characteristics as the predicate device or have different technological characteristics and not raise different questions of safety or effectiveness than the predicate device. Clinical data is sometimes required to support substantial equivalence.

After a 510(k) notice is submitted, the FDA determines whether to accept it for substantive review. If it lacks necessary information for substantive review, the FDA will refuse to accept the 510(k) notification. If it is accepted for filing, the FDA begins a substantive review. By statute, the FDA is required to complete its review of a 510(k) notification within 90 days of receiving the 510(k) notification. As a practical matter, clearance often takes longer, and clearance is never assured. Although many 510(k) premarket notifications are cleared without clinical data, the FDA may require further information, including clinical data, to make a determination regarding substantial equivalence, which may significantly prolong the review process. If the FDA agrees that the device is substantially equivalent, it will grant clearance to commercially market the device.

After a device receives 510(k) clearance, any modification that could significantly affect its safety or effectiveness, or that would constitute a new or major change in its intended use, will require a new 510(k) clearance or, depending on the modification, could require a PMA application. The FDA requires each manufacturer to make this determination initially, but the FDA can review any such decision and can disagree with a manufacturer’s determination. If the FDA disagrees with a manufacturer’s determination regarding whether a new premarket submission is required for the modification of an existing device, the FDA can require the manufacturer to cease marketing and/or recall the modified device until 510(k) clearance or approval of a PMA application is obtained. If the FDA requires us to seek 510(k) clearance or approval of a PMA application for any modifications to a previously cleared product, we may be required to cease marketing or recall the modified device until we obtain this clearance or approval. In addition, in these circumstances, we may be subject to significant regulatory fines or penalties for failure to submit the requisite PMA application(s). In addition, the FDA is currently evaluating the 510(k) process and may make substantial changes to industry requirements.

### *The PMA Approval Process*

If the FDA determines that the device is not “substantially equivalent” to a predicate device, or if the device is classified into Class III, the device sponsor must then fulfill the much more rigorous premarketing requirements of the PMA approval process, or seek reclassification of the device through the *de novo* process. A manufacturer can also submit a petition for direct *de novo* review if the manufacturer is unable to identify an appropriate predicate device and the new device or new use of the device presents a moderate or low risk.

Class III devices include devices deemed by the FDA to pose the greatest risk such as life-supporting or life-sustaining devices, or implantable devices, in addition to those deemed not substantially equivalent following the 510(k) process. The safety and effectiveness of Class III devices cannot be reasonably assured solely by the General Controls and Special Controls described above. Therefore, these devices are subject to the PMA application process, which is generally more costly and time consuming than the 510(k) process. Through the PMA application process, the applicant must submit data and information demonstrating reasonable assurance of the safety and effectiveness of the device for its intended use to the FDA's satisfaction. Accordingly, a PMA application typically includes, but is not limited to, extensive technical information regarding device design and development, pre-clinical and clinical trial data, manufacturing information, labeling and financial disclosure information for the clinical investigators in device studies. The PMA application must provide valid scientific evidence that demonstrates to the FDA's satisfaction reasonable assurance of the safety and effectiveness of the device for its intended use.

In the United States, absent certain limited exceptions, human clinical trials intended to support medical device clearance or approval require an IDE application. Some types of studies deemed to present "non-significant risk" are deemed to have an approved IDE once certain requirements are addressed and IRB approval is obtained. If the device presents a "significant risk" to human health, as defined by the FDA, the sponsor must submit an IDE application to the FDA and obtain IDE approval prior to commencing the human clinical trials. The IDE application must be supported by appropriate data, such as animal and laboratory testing results, showing that it is safe to test the device in humans and that the testing protocol is scientifically sound. The IDE application must be approved in advance by the FDA for a specified number of subjects. Generally, clinical trials for a significant risk device may begin once the IDE application is approved by the FDA and the study protocol and informed consent are approved by appropriate institutional review boards at the clinical trial sites. There can be no assurance that submission of an IDE will result in the ability to commence clinical trials, and although the FDA's approval of an IDE allows clinical testing to go forward for a specified number of subjects, it does not bind the FDA to accept the results of the trial as sufficient to prove the product's safety and efficacy, even if the trial meets its intended success criteria.

Following receipt of a PMA application, the FDA conducts an administrative review to determine whether the application is sufficiently complete to permit a substantive review. If it is not, the agency will refuse to file the PMA. If it is, the FDA will accept the application for filing and begin the review. The FDA, by statute and by regulation, has 180 days to review a filed PMA application, although the review of an application more often occurs over a significantly longer period of time. During this review period, the FDA may request additional information or clarification of information already provided, and the FDA may issue a major deficiency letter to the applicant, requesting the applicant's response to deficiencies communicated by the FDA. The FDA considers a PMA or PMA supplement to have been voluntarily withdrawn if an applicant fails to respond to an FDA request for information (e.g. major deficiency letter) within a total of 360 days. Before approving or denying a PMA, an FDA advisory committee may review the PMA at a public meeting and provide the FDA with the committee's recommendation on whether the FDA should approve the submission, approve it with specific conditions, or not approve it. Prior to approval of a PMA, the FDA may conduct a bioresearch monitoring inspection of the clinical trial data and clinical trial sites, and a QSR inspection of the manufacturing facility and processes. Overall, the FDA review of a PMA application generally takes between one and three years, but may take significantly longer. The FDA can delay, limit or deny approval of a PMA application for many reasons, including:

- the device may not be shown safe or effective to the FDA's satisfaction;
- the data from pre-clinical studies and clinical trials may be insufficient to support approval;

- the manufacturing process or facilities may not meet applicable requirements; and
- changes in FDA approval policies or adoption of new regulations may require additional data.

If the FDA evaluation of a PMA is favorable, the FDA will issue either an approval letter, or an approvable letter, which usually contains a number of conditions that must be met in order to secure final approval of the PMA. When and if those conditions have been fulfilled to the satisfaction of the FDA, the agency will issue a PMA approval letter authorizing commercial marketing of the device, subject to the conditions of approval and the limitations established in the approval letter. If the FDA's evaluation of a PMA application or manufacturing facilities is not favorable, the FDA will deny approval of the PMA or issue a not approvable letter. The FDA also may determine that additional tests or clinical trials are necessary, in which case the PMA approval may be delayed for several months or years while the trials are conducted and data is submitted in an amendment to the PMA. The PMA process can be expensive, uncertain and lengthy and a number of devices for which FDA approval has been sought by other companies have never been approved by the FDA for marketing.

New PMA applications or PMA supplements may be required for modification to the manufacturing process, labeling, device specifications, materials or design of a device that has been approved through the PMA process. PMA supplements often require submission of the same type of information as an initial PMA application, except that the supplement is limited to information needed to support any changes from the device covered by the approved PMA application and may or may not require as extensive technical or clinical data or the convening of an advisory panel, depending on the nature of the proposed change.

In approving a PMA application, the FDA may also require some form of postmarket studies or postmarket surveillance, whereby the applicant follows certain patient groups for a number of years and makes periodic reports to the FDA on the clinical status of those patients when necessary to protect the public health or to provide additional safety and effectiveness data for the device. FDA may also require postmarket surveillance for certain devices cleared under a 510(k) notification, such as implants or life-supporting or life-sustaining devices used outside a device user facility. The FDA may also approve a PMA application with other post-approval conditions intended to ensure the safety and effectiveness of the device, such as, among other things, restrictions on labeling, promotion, sale, distribution and use.

### *Post-Approval Requirements*

After the FDA permits a device to enter commercial distribution, numerous regulatory requirements apply. These include, but are not limited to:

- the registration and listing regulation, which requires manufacturers to register all manufacturing facilities and list all medical devices placed into commercial distribution;
- the QSR, which requires manufacturers, including third party manufacturers, to follow elaborate design, testing, production, control, supplier/contractor selection, complaint handling, documentation and other quality assurance procedures during the manufacturing process;
- labeling regulations and unique device identification requirements;
- advertising and promotion requirements;
- restrictions on sale, distribution or use of a device;
- PMA annual reporting requirements;

- the FDA’s general prohibition against promoting products for unapproved or “off-label” uses;
- the Medical Device Reporting, or MDR, regulation, which requires that manufacturers report to the FDA if their device may have caused or contributed to a death or serious injury or malfunctioned in a way that would likely cause or contribute to a death or serious injury if it were to reoccur;
- medical device correction and removal reporting regulations, which require that manufacturers report to the FDA field corrections and product recalls or removals if undertaken to reduce a risk to health posed by the device or to remedy a violation of the FDCA that may present a risk to health;
- recall requirements, including a mandatory recall if there is a reasonable probability that the device would cause serious adverse health consequences or death;
- an order of repair, replacement or refund;
- device tracking requirements; and
- postapproval study and postmarket surveillance requirements.

Spin-off Corporations’ facilities, records and manufacturing processes are subject to periodic unscheduled inspections by the FDA. Failure to comply with the applicable United States medical device regulatory requirements could result in, among other things, warning letters, untitled letters, fines, injunctions, consent decrees, civil penalties, unanticipated expenditures, repairs, replacements, refunds, recalls or seizures of products, operating restrictions, total or partial suspension of production, the FDA’s refusal to issue certificates to foreign governments needed to export products for sale in other countries, the FDA’s refusal to grant future premarket clearances or approvals, withdrawals or suspensions of current product clearances or approvals and criminal prosecution.

#### *Research Use Only*

A research use only, or RUO, product is one that is not intended for use in a clinical investigation or for clinical diagnostic use outside an investigation and must be labeled “For Research Use Only. Not for use in diagnostic procedures.” Products that are intended for research use only and are properly labeled as RUO are exempt from compliance with the FDA requirements discussed above, including the approval or clearance and QSR requirements. A product labeled RUO but intended to be used diagnostically may be viewed by the FDA as adulterated and misbranded under the FDC Act and is subject to FDA enforcement activities. The FDA may consider the totality of the circumstances surrounding distribution and use of an RUO product, including how the product is marketed, when determining its intended use.

#### *International Laws*

A number of other countries, including those in the European Union, Australia, Canada, China and Japan, have adopted or are in the process of adopting standards for medical devices sold in those countries. Many of these standards are loosely patterned after those adopted by the European Union, but with elements unique to each country. Although there is a trend towards harmonization of quality system standards, regulations in each country may vary substantially, which can affect timelines of introduction.

#### **Government Regulation – Fraud and Abuse and Other Healthcare Regulation**

Spin-off Corporations may be subject to various federal and state healthcare laws, including, but not limited to, anti-kickback laws. Penalties for violations of these healthcare laws include, but are not

limited to, criminal, civil and/or administrative penalties, damages, fines, disgorgement, individual imprisonment, possible exclusion from federal healthcare programs, and the curtailment or restructuring of operations.

#### *Anti-Kickback Statute*

The federal Anti-Kickback Statute prohibits persons or entities from knowingly and willfully soliciting, offering, receiving or paying any remuneration, directly or indirectly, overtly or covertly, in cash or in kind, in exchange for or to induce either the referral of an individual, or the furnishing, arranging for or recommending a good or service, or for the purchasing, leasing, ordering, or arranging for or recommending, any good, facility, service or item for which payment may be made in whole or in part under federal healthcare programs, such as the Medicare and Medicaid programs. The federal Anti-Kickback Statute is broad and prohibits many arrangements and practices that are lawful in businesses outside of the healthcare industry. The term “remuneration” expressly includes kickbacks, bribes, or rebates and also has been broadly interpreted to include anything of value, including for example, gifts, discounts, the furnishing of supplies or equipment, credit arrangements, payments of cash, waivers of payments, ownership interests and providing anything at less than its fair market value.

There are a number of statutory exceptions and regulatory safe harbors protecting certain business arrangements from prosecution under the federal Anti-Kickback Statute. These statutory exceptions and safe harbors set forth provisions that, if all their applicable requirements are met, will assure healthcare providers and other parties that they may not be prosecuted under the federal Anti-Kickback Statute. The failure of a transaction or arrangement to fit precisely within one or more applicable statutory exceptions or safe harbors does not necessarily mean that it is illegal or that prosecution will be pursued. However, conduct and business arrangements that do not fully satisfy all requirements of an applicable safe harbor may result in increased scrutiny by government enforcement authorities and will be evaluated on a case-by-case basis based on a cumulative review of all of its facts and circumstances. Additionally, the intent standard under the federal Anti-Kickback Statute was amended under the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act, collectively, the ACA, to a stricter standard such that a person or entity no longer needs to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation. The ACA provides that the government may assert that a claim including items or services resulting from a violation of the federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the federal civil False Claims Act which is discussed below.

#### *Federal Civil False Claims Act*

The federal civil False Claims Act prohibits, among other things, persons or entities from knowingly presenting or causing to be presented a false or fraudulent claim to, or the knowing use of false statements to obtain payment from or approval by, the federal government. Suits filed under the federal civil False Claims Act, known as “qui tam” actions, can be brought by any individual on behalf of the government. These individuals, sometimes known as “relators” or, more commonly, as “whistleblowers”, may share in any amounts paid by the entity to the government in fines or settlement. The number of filings of qui tam actions has increased significantly in recent years, causing more healthcare companies to have to defend a case brought under the federal civil False Claim Act. If an entity is determined to have violated the federal civil False Claims Act, it may be required to pay up to three times the actual damages sustained by the government, plus civil penalties for each separate false claim. Many comparable state laws are broader in scope and apply to all payors, and therefore, are not limited to only those claims submitted to the federal government.

### *Federal Physician Self-Referral Prohibition*

Spin-Off Corporation will also be subject to the federal physician self-referral prohibitions, commonly known as the Stark Law, which prohibits, among other things, physicians who have a financial relationship, including an investment, ownership or compensation relationship with an entity, from referring Medicare and Medicaid patients to the entity for designated health services, which include clinical laboratory services, unless an exception applies. Similarly, entities may not bill Medicare, Medicaid or any other party for services furnished pursuant to a prohibited referral. Many states have their own self-referral laws as well, which in some cases apply to all third-party payors, not just Medicare and Medicaid.

### *Federal Civil Monetary Penalties Statute*

The federal Civil Monetary Penalties Statute, among other things, imposes fines against any person or entity who is determined to have presented, or caused to be presented, claims to a federal healthcare program that the person knows, or should know, is for an item or service that was not provided as claimed or is false or fraudulent.

### *Health Insurance Portability and Accountability Act of 1996*

The federal Health Insurance Portability and Accountability Act, or HIPAA, created several additional federal crimes, including healthcare fraud and false statements relating to healthcare matters. The healthcare fraud statute prohibits knowingly and willfully executing a scheme to defraud any healthcare benefit program, including private third-party payors. The false statements statute prohibits knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false, fictitious or fraudulent statement in connection with the delivery of or payment for healthcare benefits, items or services.

In addition, HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act, or HITECH, and their implementing regulations established uniform standards for certain covered entities, which are certain healthcare providers, health plans and healthcare clearinghouses, as well as their business associates, governing the conduct of specified electronic healthcare transactions and protecting the security and privacy of protected health information. Among other things, HITECH also created four new tiers of civil monetary penalties and gave state attorneys general new authority to file civil actions for damages or injunctions in federal courts to enforce the federal HIPAA laws and seek attorneys' fees and costs associated with pursuing federal civil actions.

### *The Federal Physician Payments Sunshine Act*

The federal Physician Payment Sunshine Act requires certain manufacturers of drugs, devices, biologics and medical supplies for which payment is available under Medicare, Medicaid or the Children's Health Insurance Program, with certain exceptions, to report annually to CMS, information related to "payments or other transfers of value" provided to physicians (defined to include doctors, dentists, optometrists, podiatrists and chiropractors) and teaching hospitals, and applicable manufacturers and group purchasing organizations to report annually to CMS ownership and investment interests held by physicians, as defined above, and their immediate family members. Failure to submit timely, accurately and completely the required information for all payments, transfers of value and ownership or investment interests may result in civil monetary penalties of up to an aggregate of \$150,000 per year and up to an aggregate of \$1.0 million per year for "knowing failures."

### *State Law Equivalents*

Many states have also adopted laws similar to each of the above federal laws, such as anti-kickback and false claims laws, which may be broader in scope and apply to items or services reimbursed by any third-party payor, including commercial insurers, as well as laws that restrict Spin-Off Corporations' marketing activities with health care professionals and entities, and require us to track and report payments and other transfers of value, including consulting fees, provided to healthcare professionals and entities. Some states mandate implementation of compliance programs to ensure compliance with these laws. Spin-Off Corporations will also be subject to foreign fraud and abuse laws, which vary by country. Spin-Off Corporations may be subject to certain state and foreign laws governing the privacy and security of health information in some circumstances, many of which differ from each other in significant ways and often are not preempted by HIPAA, thus complicating compliance efforts.

### *Healthcare Reform*

In March 2010, President Obama enacted the ACA, which is substantially changing healthcare financing and delivery by both governmental and private insurers, and is significantly impacting the medical device industry. The ACA's provisions of importance to our and the Spin-Off Corporations' businesses include, but are not limited to, a deductible 2.3% excise tax on any entity that manufactures or imports medical devices offered for sale in the U.S., with limited exceptions, which became effective January 1, 2013. However, the Consolidated Appropriations Act of 2016, signed into law in December 2015, includes a two-year moratorium on the medical device excise tax that applies between January 1, 2016, and December 31, 2017. Absent further legislative action, the tax will be automatically reinstated for medical device sales beginning January 1, 2018. Since its enactment in 2010, there have been judicial and Congressional challenges to certain aspects of the ACA, and we expect additional challenges and amendments in the future.

In addition, other legislative changes have been proposed and adopted since the ACA was enacted. On August 2, 2011, President Obama signed into law the Budget Control Act of 2011, which, among other things, created the Joint Select Committee on Deficit Reduction to recommend to Congress proposals in spending reductions. The Joint Select Committee did not achieve a targeted deficit reduction of at least \$1.2 trillion for the years 2013 through 2021, triggering the legislation's automatic reduction to several government programs. This includes reductions to Medicare payments to providers of 2% per fiscal year, which went into effect on April 1, 2013, and, following passage of the Bipartisan Budget Act of 2015, will stay in effect through 2025 unless Congressional action is taken. On January 2, 2013, President Obama signed into law the American Taxpayer Relief Act of 2012, which, among other things, further reduced Medicare payments to several providers, including hospitals, imaging centers and cancer treatment centers and increased the statute of limitations period for the government to recover overpayments to providers from three to five years.

The full impact of the ACA, as well as other laws and reform measures that may be proposed and adopted in the future, remains uncertain, but may continue the downward pressure on medical device pricing, especially under the Medicare program, and may also increase Spin-Off Corporations' regulatory burdens and operating costs, which could have a material adverse effect on our profitability.

### *The Foreign Corrupt Practices Act*

The Foreign Corrupt Practices Act, or FCPA, prohibits any U.S. individual or business from paying, offering, or authorizing payment or offering of anything of value, directly or indirectly, to any foreign official, political party or candidate for the purpose of influencing any act or decision of the foreign entity in order to assist the individual or business in obtaining or retaining business. The FCPA also obligates companies whose securities are listed in the United States to comply with accounting

provisions requiring the company to maintain books and records that accurately and fairly reflect all transactions of the corporation, including international subsidiaries, and to devise and maintain an adequate system of internal accounting controls for international operations.

### **Dissolution of the Partnership, Liquidation and Distribution of Spin-Off Corporation Investments**

The Partnership shall be dissolved upon the first to occur of the following events: (i) seven (7) years after the Partnership raises \$2,000,000 from this Offering that is on deposit in the Escrow Account and begins operations, unless extended for two (2) years pursuant to approval by the Limited Partners, but in no event later than December 31, 2026, (ii) the happening of any other event that makes it unlawful, impossible or impractical to carry on the business of the Partnership, (iii) the vote of the Limited Partners holding an aggregate Percentage Interest of more than 75%, or (iv) the General Partner ceases to be a general partner of the Partnership and a Majority of Interest of the Limited Partners elect not to continue the business of the Partnership. In the cases of (iii) and (iv) above, all guarantees provided by the General Partner, its Manager and its affiliates, must be canceled prior to dissolution and liquidation.

### **Power of Attorney**

By becoming a party to the Partnership Agreement, each Limited Partner will appoint the General Partner as his or her attorney-in-fact and empower and authorize the General Partner to make, execute, acknowledge, publish and file on behalf of the Limited Partner in all necessary or appropriate places, such documents as may be necessary or appropriate to carry out the intent and purposes of the Partnership Agreement.

### **Accounting Records and Reports**

The Partnership shall engage an independent certified public accountant or accounting firm, in the discretion of the General Partner, to act as the accountant for the Partnership and to audit the Partnership's books and accounts as of the end of each fiscal year. As soon as practicable after the end of such fiscal year, but in no event later than 120 days after the end of such fiscal year, the General Partner shall provide to each Limited Partner and to each former Limited Partner who withdrew during such fiscal year, (i) audited financial statements of the Partnership as of the end of and for such fiscal year, including a balance sheet and statement of income, together with the report thereon of the Partnership's independent certified public accountant or accounting firm, (ii) a Schedule K-1 for such Partner with respect to such fiscal year, prepared in accordance with the Code, together with corresponding forms for state income tax purposes, setting forth such Partner's distributive share of Partnership items of Profit or Loss for such fiscal year and the amount of such Partner's Capital Account at the end of such fiscal year, and (iii) such other financial information and documents respecting the Partnership and its business as the General Partner deems appropriate, or as a Limited Partner may reasonably require and request in writing, to enable such Limited Partner to prepare its federal and state income tax returns.

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## **VII. PLAN OF DISTRIBUTION**

### **Capitalization; Sale of Interests**

The Offering consists of up to \$50 million of Interests being offered to Investors. Prospective Investors as part of the Offering will be required to fund the full amount of their proposed investment in full upon submission of the completed subscription documentation. The minimum subscription amount will be \$250,000 per Investor, except that the General Partner may, in its sole discretion, elect to accept subscriptions for a lesser amount. The escrow agent will hold and maintain such funds in escrow until (1) the Minimum Offering Amount has been sold; or (2) the Offering is terminated. If the Minimum Offering Amount of \$2,000,000 in investments has not been subscribed on or before May 1, 2017, all funds on deposit with the escrow agent shall be promptly returned to subscribers in full, without deduction or charges. Thereafter, all additional subscription proceeds will be immediately transferred to the operating account of the Company to be invested in a Portfolio Company or Spin-Off Corporation. The Partnership reserves the right, in its sole discretion, to refuse to sell Interests to any person. In addition, the Partnership may terminate the Offering at any time.

The Interests in the Partnership will be offered and sold directly by the Partnership, the General Partner and their respective officers and employees. No commissions for selling Interests will be paid to the Partnership, the General Partner or their respective officers or employees for selling such Interests.

### **Offering Materials**

The Offering is made only by means of this Private Placement Memorandum. Except as described herein, neither the Partnership nor the General Partner has authorized the use of other sales materials in connection with the Offering. No dealer, salesman or other person has been authorized to give any information or to make any representations other than those contained in this Private Placement Memorandum, and, if given or made, such information or representations must not be relied upon.

The Partnership, the General Partner and their affiliates may also respond to specific questions from prospective investors and their advisors.

### **Subscription Procedures**

Persons who meet the suitability requirements as set forth in the “**INVESTOR SUITABILITY STANDARDS**” section, above, desiring to subscribe for Interests may do so by completing and executing the Subscription Agreement attached hereto as Exhibit C and otherwise following the instructions set forth therein.

### **Acceptance of Subscriptions**

The General Partner has the right, to be exercised in its sole discretion, to accept or reject any subscriptions in whole or in part for a period of 30 days after receipt of the subscription. Upon acceptance of your subscription to purchase Interests, we will create an account in a book entry registration and transfer system for you, and credit the principal amount of your subscription to your account. We will send you a purchase confirmation that will indicate our acceptance of your subscription. You will have five business days from the postmark of your purchase confirmation to rescind your subscription. If your subscription is rejected, or if you rescind your subscription during the rescission period, all funds deposited will be promptly returned to you without any interest.

## **Rescission Right**

A purchaser of Interests has the right to rescind his or her investment, without penalty, upon written request within five business days from the postmark date of the purchase confirmation. You will not earn interest on any rescinded Interests. We will promptly return any funds sent with a Subscription Agreement that is properly rescinded. We must receive your request for rescission of your subscription, delivered personally or via electronic transmission, no later than the fifth business day following the mailing of written confirmation by us of our acceptance of your subscription. If mailed, the written request for rescission must be postmarked on or before the fifth business day following the mailing of such written confirmation by us.

## **Limitation of Offering**

The offer and sale of the Interests offered hereby are made in reliance upon exemptions from the Securities Act and states securities laws. Accordingly, the distribution of this Private Placement Memorandum has been strictly limited to persons satisfying the requirements described herein, and this Private Placement Memorandum does not constitute an offer to sell or a solicitation of an offer to buy with respect to any person not satisfying those qualifications.

## **Servicing Agent**

We may engage a non-affiliated third party to act as our servicing agent. Such person's responsibilities as servicing agent would involve the performance of certain administrative and customer service functions for the Interests that we are responsible for performing as the issuer of the Interests. For example, a servicing agent may serve as our registrar and transfer agent and may manage certain aspects of the customer service function for the Interests, which may include handling phone inquiries, mailing investment kits, processing subscription agreements, issuing annual investor statements and repurchasing Interests. In addition, we may retain a servicing agent to provide us with monthly reports and analysis regarding the status of the Interests, and the amount of Interests that remain available for purchase.

You may contact us with any questions about the Interests at the following address and telephone number:

Forentis Fund, LP  
26442 Beckman Court, Murrieta CA 92562.  
951.676.6509

## **Book Entry Registration and Transfer**

The Interests are issued in book entry form, which means that no physical certificate is created. Evidence of your ownership is provided by written confirmation. Except under limited circumstances described below, Limited Partners will not receive or be entitled to receive any physical delivery of a certificated security or negotiable instrument that evidences their Interests. The issuance and transfer of Interests will be accomplished exclusively through the crediting and debiting of the appropriate accounts in our book-entry registration and transfer system.

On each distribution payment date, we will credit distribution due on each account and direct payments to the Limited Partners. We will determine the distribution payments to be made to the book-entry accounts and maintain, supervise and review any records relating to book-entry Limited Partner interests.

## **Place and Method of Payment**

Distribution payments will be made by check mailed to your address you specify in your Subscription Agreement. We will not accept Subscription Agreements from investors who are unwilling to receive their payments via check. Distribution payments will be payable at our principal executive office or at such other place as we may designate for payment purposes if you are unable to receive payment by mail at your address specified in your Subscription Agreement.

### **Restrictions on Transfer of the Interests**

Except with the express written consent of the General Partner, which may be withheld in its discretion, a Limited Partner may not assign, sell, transfer, pledge, hypothecate or otherwise dispose of any of the attributes of his Interest, except by last will and testament or by operation of law. Any assignment, sale, transfer, pledge, hypothecation or other disposition of an Interest made in violation of the Limited Partnership Agreement shall be void and of no effect.

In addition to requiring the written consent of the General Partner, any purported disposition of an Interest shall be subject to the satisfaction of the following conditions:

- The General Partner shall have been given at least twenty business days prior written notice of such desired disposition specifying the name and address of the proposed assignee and the terms and conditions of the proposed disposition;
- The assigning Limited Partner or assignee shall undertake to pay all expenses incurred by the Partnership or the General Partner on behalf of the Partnership in connection with the proposed disposition;
- The Partnership shall receive from the assignee such documents, instruments and certificates set forth in the Limited Partnership Agreement and as may be requested by the General Partner, including an opinion of counsel regarding such disposition; and (iv) such disposition would not pose a material risk that the Partnership will be treated as a “**publicly traded partnership**” within the meaning of § 7704 of the Code and the regulations promulgated thereunder or make the Partnership ineligible for “**safe harbor**” treatment under § 7704 of the Code and the regulations promulgated thereunder.

### **Transfers**

The Interests are not negotiable debt instruments and, subject to certain exceptions, will be issued only in book-entry form. The purchase confirmation issued upon our acceptance of a subscription is not a certificated security or negotiable instrument, and no rights of record ownership can be transferred without our prior written consent. Ownership of Interests may be transferred on the Interest register only as follows:

- The Limited Partner must deliver to us written notice requesting a transfer signed by the Limited Partner(s) or such Limited Partner’s duly authorized representative on a form to be supplied by us.
- We must provide our written consent to the proposed transfer.
- We may require a legal opinion from counsel satisfactory to us that the proposed transfer will not violate any applicable securities laws.
- We may require a signature guarantee in connection with such transfer.

Upon transfer of an Interest, we will provide the new Limited Partner with a purchase confirmation that will evidence the transfer of the account on our records. We may charge a reasonable

service charge in connection with the transfer of any Interest.

### **Annual Statements**

We will provide Limited Partners with annual statements, which will indicate, among other things, the account balance at the end of the year, distributions credited and any repurchases made during the year. These statements will be mailed not later than the 120 days following the end of the year. We may charge such Limited Partners a reasonable fee to cover the charges incurred in providing such information.

### **No Sinking Fund**

We will not contribute funds to any separate account, commonly known as a sinking fund, to repurchase Interests. Because the Interests will have no sinking fund, security, insurance or guarantee, you may lose all or a part of your investment in the Interests if we do not have enough cash to repurchase the Interests.

### **Reports**

We intend to publish annual reports containing financial statements each fiscal year. We will make available copies of these reports, at no charge, at our offices during normal business hours at: Forentis Fund, LP; 26442 Beckman Court, Murrieta CA 92562. Our phone number is 951.676.6509

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## VIII. THE GENERAL PARTNER AND ITS AFFILIATES

The General Partner, Forentis Partners, LLC will manage and direct the affairs of the Partnership. The General Partner is controlled by Jay Goth.

**Jay Goth** was recently honored with an award from the SBA as the 2016 Small Business Champion of the year for his many years of service to the startup and entrepreneur community.

He is a serial entrepreneur who has been giving back to the entrepreneurial community in Riverside County for over five years. He was a founding executive of Commonwealth Energy, a company started in 1997 that he helped to define and write the initial business plan, raise over \$60M in private capital, build a customer base of almost 100,000 prior to revenue generation, and successfully launch into a newly created business environment. The company became one of the largest unregulated retail electricity providers in the country, with third year revenues approaching \$100M, before eventually going public. The initial investors in Commonwealth Energy paid \$0.25 per share for stock that was valued at \$3 at the public offering.

In 2003 Goth formed Ascendant Communications Group, ghost writing over 400 articles on public relations for a New York Madison Avenue PR firm, and has written and produced newsletters for the automotive, high technology, renewable energy, travel, real estate, executive search and other industries.

As the founder and principal of Redtail Capital, Jay has been an investment banker and business consultant, and has been retained to serve in positions including CEO, President, COO, VP Marketing, and VP Sales for companies in the finance, energy, manufacturing, and technology industries.

He has until recently spent the majority of his days donating his time to prepare entrepreneurs for presentations to investors and banks, mentoring them in every aspect of business, and ensuring they have the proper introductions and connections needed to become a successful company. He has held positions at TriTech SBDC as a senior business consultant for over five years and is the executive director of an entrepreneur-focused nonprofit InSoCal CONNECT. As a current Entrepreneur in Residence at the University of California at Riverside, Goth works with students, faculty, and others to develop and grow new businesses.

He is also the co-organizer of Riverside's 1 Million Cups, a weekly meeting of local entrepreneurs who gather to connect in a friendly, non-threatening environment. In addition to these roles, Goth is the curator of the Startup Digest, a weekly email that goes out to the local startup community, providing resources and updates on startup events for the week. Jay also hosts a weekly "open coffee" session every Saturday morning from 9am to noon where entrepreneurs can gather for a no-agenda brainstorming session that varies from week to week.

At the Temecula Valley Entrepreneurs Exchange, Goth participates in their screening committee for the incubator and serves as a panelist at the incubator's monthly pitch practice competition. He also attends the monthly roundtable for the tenant companies to assist in their development. He is the onsite administrator for the Murrieta Innovation Center, where he coordinates all the activities at the center, including those of entrepreneurial resource providers such as SCORE, TriTech SBDC, InSoCal Connect,

YES Place, Creator Space, GROW, and others. Jay is also assisting with the development of the ExCITE incubator in Riverside as well.

A graduate of the University of Colorado, Mr. Goth received a B.A. with a double major in English literature and Economics. He has held several licenses, including securities Series 6, 63, 3, Real Estate, and Insurance (Life and Health.) His main pursuits, besides building successful businesses, are downhill skiing and fly fishing and he enthusiastically supports his wife's passion for riding performance thoroughbred horses and show jumping. He has also been known to jump out of perfectly good airplanes, a practice that his wife now forbids.

**Gerald Conrad**, Chairman of the Investment Committee, has been involved in the financial services industry for over 30 years. During his career he has had a broad array of experiences including formation of First National Bank of Marin, the first secured credit card issuer. He also built at that time Quantitative Data Systems, a secured credit card processing platform. The bank went on to become very successful and was eventually sold to the Sherman Group in excess of \$150 million.

In 2005 Gerald recognized that the prepaid debit card industry was perfectly positioned to serve the growing number of the non-banked population. To capitalize on this emerging and new financial services product he formed a strategic relationship with Meta Bank and went on to become an MSP for MasterCard. After significant research he developed a state-of-the-art technology platform that enabled financial institutions to offer a small value line of credit product (LOC) to the under-banked and unbanked U.S. consumers. Primary Innovations, LLC was formed and in November 2006. The Primary processing platform was tested on traditional payroll cards, making it the first bank-sponsored small value LOC product offered on a prepaid debit card program. In 2008 the MLOC program under the iAdvance brand was awarded "Best New Product" at the annual Prepaid Cards Expo. Since then the Primary platform processed over 3 million LOC transactions and supported LOC programs that generated annualized LOC funding in excess of \$500 million.

Currently since 2010 Gerald Conrad is Chairman of iTransfer/Unidos Financial Services. iTransfer/Unidos is a global player in the consumer-to-consumer money transfer market, currently offering cost effective, safe, and reliable service to more than 70 countries. iTransfer/Unidos is a member of a group of privately held international financial services companies. iTransfer/Unidos processed over \$1.5 Billion dollars of transactions during 2014 and is on a run rate to exceed \$2 Billion in 2015. iTransfer/Unidos is a Money Service Business (MSB) with over 5000 agents in the US, and 1400 points of presence in Mexico. iTransfer/Unidos is a Prepaid Debit Card Program Manager for Ban Bajio, the 4th largest independent Bank in Mexico. Also a Visa International authorized processor for prepaid debit cards. iTransfer/Unidos is a Visa distribution partner having issued over 400k cards to date.

Other companies Gerald Conrad is affiliated with:

Gerald Conrad is Chairman of Catalina Card Services, Inc. a "Payments" company – which develops and/or facilitates payment mechanisms or accounts for consumers and businesses.

Gerald Conrad is Chairman of Financial Services Software Development (FSSD) located in New York. FSSD has a world class management team in software development with significant industry experience and has created an award winning integrated cloud platform that ties together the solutions of the underserved consumers and retailers who serve them.

Gerald Conrad, Chairman of Transaction Processing Partners of Texas, Inc. (TPPT) founded in 2004 located in Round Rock, Texas. TPPT owns and operates the ePayments Network, a payments processor and gateway. The ePayments Network has 500+ merchants processing throughout the US and Puerto Rico. In 2014 ePayments Network processed over 90 million dollars.

**Deepankar Roy, PhD** has joined the Forentis team as its scientific advisor and Lead Associate. He brings a broad range of experience in Business Development and Operations, and has been actively associated with several biotechnology startup companies contributing to both business and scientific initiatives.

Most recently, he has worked as an Associate (Technology Analyst) at SSVC Partners, an investment advisory firm, and contributed as Director of Business and Scientific Operations at Venomyx Inc., an antivenom therapeutics startup. He was the Director of Business/Product Development at Colby Pharmaceutical Company and its subsidiary CancerVacs Inc, companies involved in development of immunotherapeutics for allergy, cancer and other diseases.

He has worked with and advised companies in the therapeutics, diagnostics, reagent and technology platform research and manufacturing spaces. He is a trained research scientist and has worked on several cell line engineering platform technologies at Larix Bioscience and Genentech. Prior to these roles, he was a postdoctoral fellow at Genentech's Research Oncology division where he studied cancer signaling pathways.

Deepankar completed his doctoral studies in Biochemistry and Molecular Biology at University of Southern California where he undertook a reductionist approach in studying nucleic acid behavior in mammalian immune systems. He holds MS and BS degrees in Genetics and Honors Zoology from University of Delhi.

The General Partner has identified additional prospective associates for the management of the fund, including persons with deep background in finance, intellectual property, and pharmaceuticals. These associates will be added to the team at a future date.

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## **IX. COMPENSATION TO THE GENERAL PARTNER AND ITS AFFILIATES**

The following discussion summarizes the forms of compensation to be received by the General Partner and its affiliates. All of the amounts described below will be received regardless of the success or profitability of the Partnership. None of the following compensation was determined by arm's-length negotiations.

FORM OR METHOD OF COMPENSATION	Estimated Compensation
Expenses	The Partnership will pay or reimburse the General Partner and its affiliates for all organizational and syndication expenses including, without limitation legal and accounting expenses, printing costs, promotional expenses and filing fees. The Partnership will pay or reimburse the General Partner and its affiliates for, costs and expenses arising from the Partnership's operations including, without limitation, bookkeeping, tax, accounting, auditing, third party servicing and documented expenses paid or incurred in connection with services provided to us. (" <b>Partnership Expenses</b> ")
Management Fee	For its services related to making investment decisions, managing the Partnership, and overseeing the Spin-Off Corporation Investments, the General Partner shall receive up to two percent (2%) of committed capital. (" <b>Management Fee</b> ")
Carried Interest	For its services related to continue to management of the Partnership, including in assisting the initial public offering or direct public offering of the Spin-Off Corporation Investments, the General Partner shall receive a carried interest of 20% of the distributions available in cash or marketable securities AFTER the Limited Partners have received their Capital Contributions returned in full (via cash or marketable securities) returned in prorata, as assets or Spin Off Corporations are sold (" <b>Carried Interest</b> ")

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## **X. FIDUCIARY RESPONSIBILITY OF THE GENERAL PARTNER**

A general partner is accountable to a limited partnership and its limited partners as a fiduciary, which means that a general partner is required to exercise good faith and integrity with respect to partnership affairs. This fiduciary duty is in addition to those other duties and obligations of, and limitations on, the General Partner which are set forth in the Partnership Agreement. The Partnership's business operations and affairs will be managed entirely by the General Partner, which is subject to certain conflicts of interest. (See "**RISK FACTORS AND CONFLICTS OF INTEREST.**")

The Partnership has not been separately represented by independent legal counsel in its formation or in its dealings with the General Partner, and Limited Partners must rely on the good faith and integrity of the General Partner to act in accordance with the terms and conditions of this offering.

The General Partner must, on demand, give to any Limited Partner or his legal representative true and complete information concerning all Partnership affairs. Each Limited Partner or his legal representative has the right to inspect and copy the Partnership books and records upon reasonable request.

The Partnership Agreement provides that the General Partner shall have no liability to the Partnership for losses resulting from errors in judgment or other acts or omissions on behalf of the Partnership, unless the General Partner is guilty of fraud, bad faith or willful misconduct. In the event that the General Partner is accused of fraud, bad faith, or will misconduct, the General Partner will be presumed not guilty. The Partnership Agreement also provides that the Partnership shall indemnify the General Partner and its Manager against liability, including guaranties provided to creditors of the Partnership, and related expenses (including reasonable attorneys' fees and costs) incurred in dealing with the Partnership, Limited Partners or third parties. Therefore, Limited Partners may have a more limited right of action than they would have absent these provisions in the Partnership Agreement. A successful indemnification of the General Partner or any litigation that may arise in connection with the General Partner's indemnification could deplete the assets of the Partnership. Limited Partners who believe that a breach of the General Partner's fiduciary duty has occurred should consult with their own counsel.

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## **XI. ERISA CONSIDERATIONS**

The following is a summary of the material non-tax considerations associated with an investment in the Partnership by a qualified plan, Keogh Plan or an IRA (a “**Benefit Plan**”). This summary is based on provisions of the Employee Retirement Income Security Act of 1974, as amended (“**ERISA**”), and the Code, as amended through the date of this prospectus, and relevant regulations and opinions issued by the Department of Labor (“**DOL**”). No assurance can be given that legislative or administrative changes or court decisions may not be forthcoming which would significantly modify the statements expressed herein. Any changes may or may not apply to transactions entered into prior to the date of their enactment.

### **Fiduciaries Under ERISA**

A fiduciary of a pension, profit sharing or other employee benefit plan subject to Title I of ERISA should consider whether an investment in the Interests is consistent with his or her fiduciary responsibilities under ERISA. In particular, the fiduciary requirements under Part 4 of Title I of ERISA require the discharge of duties solely in the interest of, and for the exclusive purpose of providing benefits to, the ERISA plan’s participants and beneficiaries. A fiduciary is required to perform the fiduciary’s duties with the skill, prudence, and diligence of a prudent man acting in like capacity, to diversify investments so as to minimize the risk of large losses unless it is clearly prudent not to do so, and to act in accordance with the ERISA plan’s governing documents, provided that the documents are consistent with ERISA.

Fiduciaries with respect to an ERISA plan include any persons who have any power of control, management, or disposition over the funds or other property of the ERISA plan. An investment professional who knows, or ought to know, that his or her advice will serve as one of the primary bases for the ERISA plan’s investment decisions may be a fiduciary of the ERISA plan, as may any other person with special knowledge or influence with respect to an ERISA plan’s investment or administrative activities.

While the beneficial “**owner**” or “**account holder**” of an IRA is treated as a fiduciary of the IRA under the Code, IRAs generally are not subject to ERISA’s fiduciary duty rules, although they are subject to the Code’s prohibited transaction rules explained below. Also, certain qualified plans of sole proprietors or partnerships in which at all times (before and after the investment) the only participant(s) is/are the sole proprietor and his or her spouse or the partners and their spouses, and certain qualified plans of corporations in which at all times (before and after the investment) the only participant(s) is/are an individual and/or his or her spouse who own(s) 100% of the corporation’s stock, are generally not subject to ERISA’s fiduciary standards, although they also are subject to the Code’s prohibited transaction rules explained below.

A person subject to ERISA’s fiduciary rules with respect to an ERISA plan should consider those rules in the context of the particular circumstances of the ERISA plan before authorizing an investment of a portion of the ERISA plan’s assets in Interests.

Fiduciaries of an ERISA plan that permits a participant to exercise independent control over the investments of his individual account in accordance with Section 404(c) of ERISA (a “**self-directed investment**” arrangement) generally will not be liable for any investment loss or for any breach of the prudence or diversification obligations that results from the participant’s exercise of such control, and the participant is not deemed to be a fiduciary subject to the general ERISA fiduciary obligations described

above merely by virtue of his exercise of such control. Liability can, however, be imposed upon the fiduciary of an ERISA plan for losses resulting from a participant's direction of the investment of assets in his individual account into a particular investment option under the ERISA plan if the fiduciary acted imprudently in offering, or continuing to offer, the investment under the ERISA plan.

The fiduciary of an IRA or a qualified retirement plan not subject to Title I of ERISA because it is a governmental or church plan or because it does not cover common law employees should consider that such an IRA or non-ERISA Plan may only make investments that are authorized by the appropriate governing documents and under applicable state law.

### **Prohibited Transactions Under ERISA and the Code**

Any fiduciary of an ERISA plan or a person making an investment decision for a non-ERISA Plan or an IRA should consider the prohibited transaction provisions of Section 4975 of the Code and Section 406 of ERISA when making their investment decisions. These rules prohibit such plans from engaging in certain transactions involving **"plan assets"** with parties that are **"disqualified persons"** described in Section 4975(e)(2) of the Code or **"parties in interest"** described in Section 3(14) of ERISA, each of which are referred to as **"disqualified persons."**

**"Prohibited transactions"** include, but are not limited to, any direct or indirect transfer or use of a qualified plan's or IRA's assets to or for the benefit of a disqualified person, any act by a fiduciary that involves the use of a qualified plan's assets in the fiduciary's individual interest or for the fiduciary's own account, and any receipt by a fiduciary of consideration for his or her own personal account from any party dealing with a qualified plan. Under ERISA, a disqualified person that engaged in a prohibited transaction will be made to disgorge any profits made in connection with the transaction and will be required to compensate any ERISA plan that was a party to the prohibited transaction for any losses sustained by the ERISA plan. Section 4975 of the Code imposes excise taxes on a disqualified person that engages in a prohibited transaction with an ERISA plan or a non-ERISA plan or an IRA subject to Section 4975 of the Code. If the disqualified person who engages in the transaction is the individual on behalf of whom the IRA is maintained (or his beneficiary), the IRA may lose its tax exempt status and the assets will be deemed to be distributed to such individual in a taxable transaction.

In order to avoid the occurrence of a prohibited transaction under Section 4975 of the Code and/or Section 406 of ERISA, Interests may not be purchased by an ERISA plan, an IRA, or a non-ERISA plan subject to Section 4975 of the Code, as to which the General Partner, or any of its affiliates, have investment discretion with respect to the assets used to purchase the Interests, or with respect to which they have regularly given individualized investment advice that serves as the primary basis for the investment decisions made with respect to such assets. Additionally, fiduciaries of, and other disqualified persons with respect to, an ERISA Plan, an IRA, or a non-ERISA plan subject to Section 4975 of the Code, should be alert to the potential for prohibited transactions to occur in the context of a particular plan's or IRA's decision to purchase Interests.

Neither the General Partner nor the Partnership shall have any liability or responsibility to any benefit plan that is a limited partner or any other limited partner, including any limited partner that is a tax exempt entity, for any tax, penalty or other sanction or costs or damages arising as a result of there being a prohibited transaction or as a result of Partnership assets being deemed plan assets of the limited partner under the Code or ERISA or other applicable law.

### **"Plan Assets"**

If our assets were determined under ERISA or the Code to be **"plan assets"**:

- the prudence standards and other provisions of Part 4 of Title I of ERISA would be applicable to any transactions involving our assets;
- persons who exercise any authority or control over our assets, or who provide investment advice to us, would (for purposes of the fiduciary responsibility provisions of ERISA) be fiduciaries of each ERISA Plan that acquires the Interests, and transactions involving our assets undertaken at their direction or pursuant to their advice might violate their fiduciary responsibilities under ERISA, especially with regard to conflicts of interest;
- a fiduciary exercising his investment discretion over the assets of an ERISA plan to cause it to acquire or hold the Interests could be liable under Part 4 of Title I of ERISA for transactions we enter into that do not conform to ERISA standards of prudence and fiduciary responsibility; and
- certain transactions that we might enter into in the ordinary course of our business and operations might constitute “prohibited transactions” under ERISA and the Code.

An ERISA plan’s fiduciaries might, under certain circumstances, be subject to liability for actions taken by the Managing Partner of the General Partner or its affiliates, and certain of the transactions described in this prospectus in which we might engage, including certain transactions with affiliates, may constitute prohibited transactions under the Code and ERISA with respect to such ERISA plan, even if their acquisition of Interests did not originally constitute a prohibited transaction.

Under ERISA and applicable DOL regulations governing the determination of what constitutes assets of an ERISA plan in the context of investment securities such as Interests, an undivided interest in the underlying assets of a collective investment entity such as the Partnership will be treated as “**plan assets**” of “**Benefit Plan Investors**” (as that term is defined under ERISA) if (i) the securities are not publicly offered, (ii) 25% or more of the total value of each class of equity securities of the entity is owned by Benefit Plan Investors, (iii) the interests of the Benefit Plan Investors are “**equity interests**”, and (iv) the entity is not an “**operating company**”. In order for securities to be treated as “**publicly offered**”, they have to be either (a) part of a class of securities registered under Section 12(b) or 12(g) of the Exchange Act or (b) sold as part of an offering registered under the Securities Act of 1933, and must also meet certain other requirements, including a requirement that they be “**freely transferable**”.

We believe that the restrictions on transferability of Interests (see “VIII. SUMMARY OF THE PARTNERSHIP AGREEMENT - Transfers of Interests”) prevent the Interests from being “**freely transferable**” for purposes of the DOL’s regulations. Consequently, in order to ensure that our assets will not constitute “**plan assets**” of limited partners which are ERISA plans, the General Partner will take such steps as are necessary to ensure that ownership of Interests by Benefit Plan Investors is at all times less than 25% of the total value of outstanding Interests. In calculating this limit, the General Partner shall, as provided in the DOL’s regulations, disregard the value of any Interests held by a person (other than a Benefit Plan Investor) who has discretionary authority or control with respect to our assets, or any person who provides investment advice for a fee (direct or indirect) with respect to our assets, or any affiliate of any such a person. However, neither we nor the General Partner shall have any liability or responsibility to any tax exempt entity limited partner or any other limited partner for any tax, penalty or other sanction or costs or damages arising as a result of partnership assets being deemed plan assets of a tax exempt entity limited partner under the Code or ERISA or other applicable law.

## Other ERISA Considerations

In addition to the above considerations in connection with the “**plan assets**” issue, a decision to cause a benefit plan to acquire Interests should involve consideration, among other factors, of whether:

- the investment is in accordance with the documents and instruments governing the benefit plan;
- the purchase is prudent in light of the diversification of assets requirement and the potential difficulties that may exist in liquidating Interests;
- the investment will provide sufficient cash distributions in light of the benefit plan’s required benefit payments or other distributions;
- the evaluation of the investment has properly taken into account the potential costs of determining and paying any amounts of federal income tax that may be owed on UBTI derived from the Partnership;
- in the case of an ERISA plan, the investment (or, in the case of a self-directed individual account arrangement under Section 404(c) of ERISA and regulations promulgated thereunder, the decision to offer the investment to participants in the ERISA plan) is made solely in the interests of the ERISA plan’s participants; and
- the fair market value of Interests will be sufficiently ascertainable, and with sufficient frequency, to enable the benefit plan to value its assets in accordance with the rules and policies applicable to the benefit plan.

Prospective ERISA plan investors should note that, with respect to the diversification of assets requirement, the legislative history of ERISA and a DOL advisory opinion indicate that the determination of whether the assets of an ERISA plan that has invested in an entity such as the Partnership are sufficiently diversified may be made by looking through the ERISA plan’s interest in the entity to the underlying portfolio of assets owned by the entity.

The fiduciaries of each benefit plan proposing to invest in the Partnership may be required to make certain representations, including, but not limited to, a representation that they have been informed of and understand the Partnership’s investment objectives, policies, and strategies, and that the decision to invest assets in the Partnership is consistent with the provisions of ERISA that require diversification of plan assets and impose other fiduciary responsibilities. Additionally, each benefit plan will be required to represent that to the best of its knowledge neither the Partnership nor any of its affiliates is a party in interest or disqualified person, as defined in Section 3(14) of ERISA and Section 4975(e)(2) of the Code, with respect to such benefit plan.

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## **XII. FEDERAL INCOME TAX CONSEQUENCES**

The following discussion is a summary of the federal income tax considerations material to an investment in the Interests. This summary is based upon the Internal Revenue Code, Treasury Regulations promulgated thereunder, current positions of the Internal Revenue Service contained in Revenue Rulings, Revenue Procedures and other administrative actions and existing judicial decisions in effect as of the date of this Offering.

Investors should realize that it is not feasible to comment on all aspects of federal, state and local tax laws that may affect each of our Limited Partners. The federal and state income tax considerations discussed below are necessarily general in nature, and their application may vary depending upon a Limited Partner's particular circumstances. Further, no representations are made in this Offering as to local tax considerations. The discussion below is directed primarily to individual taxpayers who are citizens or residents of the United States. Accordingly, persons who are trusts, corporate investors in general, corporate investors that are subject to specialized rules such as Subchapter S corporations and any potential investor who is not a U.S. citizen or resident are cautioned to consult their own personal tax advisors before investing in the Interests.

Investors should note that we do not intend to request a private letter ruling from the Internal Revenue Service with respect to any of the federal income tax matters discussed below, and on certain matters no ruling could be obtained even if requested. There can be no assurance that the present federal income tax laws applicable to Limited Partners and our operations will not be changed, prospectively or retroactively, by additional legislation, by new Treasury Regulations, judicial decisions or administrative interpretations, any of which could adversely affect a limited partner, nor is there any assurance that there will not be a difference of opinion as to the interpretation or application of current federal income tax laws.

Each prospective investor is urged to consult with the investor's personal tax advisor with respect to his or her personal federal, state and local income tax considerations arising from a purchase of our Interests. Investors should be aware that the Internal Revenue Service may not agree with all tax positions taken by us and that legislative, administrative or judicial decisions may reduce or eliminate anticipated tax benefits.

Pursuant to our Limited Partnership Agreement, the General Partner has the authority to make any tax elections on the Partnership's behalf that, in its sole judgment, are in the Partnership's best interest without the necessity of obtaining the approval of our Limited Partners. Although we currently intend to operate so as to be taxed as a partnership, it is possible that as a result of future legislative changes, that it could become more advantageous for the Partnership to elect to be taxed as a corporation for federal income tax purposes.

Prospective investors who are fiduciaries of retirement plans should carefully read the section of this Offering entitled "Investment by Tax-Exempt Entities and ERISA Considerations" and the section entitled "Investment by Qualified Plans and Other Tax-Exempt Entities".

We will furnish to each Limited Partner and any assignee of Interests on an annual basis the information necessary for the preparation and timely filing of a federal income tax return. Investors should note that information returns filed by us will be subject to audit by the Internal Revenue Service and that the Commissioner of the Internal Revenue Service has announced that the Internal Revenue

Service will devote greater attention to the proper application of the tax laws to partnerships. (See “-Audits” below.)

The disclosures and discussions in this section of the Offering are the opinions of our counsel. None of the General Partner, its officers, directors, or its affiliates are providing tax advice to prospective investors, and the General Partner recommends Limited Partners consult with their tax advisors with respect to the impact of any relevant legislation on Limited Partners’ investments and the status of legislative, administrative, judicial or regulatory developments and proposals and their potential effect on an investment in the Partnership.

### **Partnership Status Generally**

The income tax results anticipated from an investment in Interests will depend upon our classification as a partnership for federal income tax purposes rather than an association taxable as a corporation. In the event that, for any reason, we are treated for federal income tax purposes as an association taxable as a corporation, our partners would be treated as stockholders of a corporation with the following results, among others: (i) we would become a taxable entity subject to the federal income tax imposed on corporations; (ii) items of income, gain, loss, deduction and credit would be accounted for by us on our federal income tax return and would not flow through to the partners; and (iii) distributions of cash would generally be treated as dividends taxable to our partners, to the extent of our current or accumulated earnings and profits, and would not be deductible by us in computing our income tax. The effect of application of the corporate system of double taxation on us would result in a large increase in the effective rate of tax on such income because of the application of both corporate and individual tax rates to income and conversion of otherwise non-taxable distributions into taxable dividends.

Regulations regarding entity classification have been issued under the Internal Revenue Code that, in effect, operate to allow a business entity that is not otherwise required to be classified as a corporation (i.e., an “**eligible entity**”), to elect its classification for federal income tax purposes. Under the Treasury Regulations, an “**eligible entity**” that has at least two members will be treated as a partnership in the absence of an election. Accordingly, while our General Partner does not intend to request a ruling from the Internal Revenue Service as to our classification for income tax purposes, we will qualify as an “**eligible entity**” and need not make any election to be treated as a partnership for federal income tax purposes.

Based upon the entity classification Treasury Regulations, and Internal Revenue Service rulings and judicial decisions under Section 7701(a) of the Internal Revenue Code, all of which are subject to change, and based upon certain representations of the General Partner and other assumptions, we should be treated as a partnership for federal income tax purposes and not as an association taxable as a corporation.

### **General Principles of Partnership Taxation**

Under the Internal Revenue Code, no federal income tax is paid by a partnership. Accordingly, if, as anticipated, we are treated as a partnership for federal income tax purposes, we will not be treated as a separate taxable entity subject to federal income tax. Each partner will, instead, be required to report on his federal income tax return for each year the partner’s share of the Partnership’s items of income, gain, loss, deduction or credit for that year, without regard to whether any actual cash distributions have been made to him. Investors should note that the amount of taxable income allocated to a partner, and the income tax liability resulting from such allocation of taxable income, may theoretically exceed the amount of any cash distributed to such partner. However, the Partnership Agreement is designed to cause taxable income to be located in an amount that is equal to distributions less Capital Contributions and we

anticipate that few, if any, allocations of taxable income will be made that are not accompanied by a corresponding distribution.

### **Anti-Abuse Rules**

As noted under the heading “General Principles of Partnership Taxation” above, partnerships are not liable for income taxes imposed by the Internal Revenue Code. The Treasury Regulations set forth broad “**anti-abuse**” rules applicable to partnerships; however, which rules authorize the Commissioner of the Internal Revenue Service to recast transactions involving the use of partnerships either to reflect the underlying economic arrangement or to prevent the use of a partnership to circumvent the intended purpose of any provision of the Internal Revenue Code. Our General Partner is not aware of any fact or circumstance that could cause the Commissioner to exercise his authority under these rules; however, if any of the transactions entered into by us were to be re-characterized under these rules, or if we were to be recast as a taxable entity under these rules, material adverse tax consequences to all of our partners would occur as otherwise described in this Offering.

### **Deductibility of Losses – Limitations**

The ability of a Limited Partner to deduct his distributive share of our losses is subject to a number of limitations.

#### *Basis Limitation*

A Limited Partner may not deduct his share of partnership losses and deductions in excess of the adjusted basis of his Partnership Interest determined as of the end of the taxable year. Allocated losses that are not allowed may be carried over indefinitely and claimed as a deduction in a subsequent year to the extent that such Limited Partner’s adjusted basis in his Interests has increased above zero. A Limited Partner’s adjusted basis in his Interests will include his cash investment in us along with his pro rata share of any Partnership liabilities as to which no partner is personally liable. A Limited Partner’s basis will be increased by his distributive share of our taxable income and decreased, but not below zero, by his distributive share of our losses. Cash distributions that are made to a Limited Partner, if any, will also decrease the basis in his Interests, and in the event a Limited Partner has no remaining basis in his Interests, Cash Distributions will generally be taxable to him as gain from the sale of his Interests.

#### *Passive Loss Limitation*

The Internal Revenue Code substantially restricts the ability of many taxpayers to deduct losses derived from so-called “**passive activities.**” Passive activities generally include any activity involving the conduct of a trade or business in which the taxpayer does not materially participate, including the activity of a limited partnership in which the taxpayer is a limited partner. Under current law, we believe a Limited Partner’s Interest in us will be treated as a passive activity. Accordingly, our income and loss, other than interest income that will constitute portfolio income, will generally constitute passive activity income and passive activity loss, as the case may be, to Limited Partners.

Losses from passive activities are generally deductible only to the extent of a taxpayer’s income or gains from passive activities and will not be allowed as an offset against other income, including salary or other compensation for personal services, active business income or “**portfolio income,**” which includes non-business income derived from dividends, interest, royalties, annuities and gains from the sale of property held for investment. Passive activity losses that are not allowed in any taxable year are suspended and carried forward indefinitely and allowed in subsequent years as an offset against passive activity income in future years.

Upon a taxable disposition of a taxpayer's entire interest in a passive activity to an unrelated party, suspended losses with respect to that activity will then be allowed as a deduction against:

- first, income or gain from that activity, including gain recognized on such disposition;
- then, income or gain for the taxable year from other passive activities; and
- finally, non-passive income or gain.

Treasury Regulations provide, however, that similar undertakings that are under common control and owned by pass-through entities such as partnerships are generally aggregated into a single activity. Accordingly, it is unlikely that suspended passive activity losses derived from a specific Partnership property would be available to Limited Partners to offset non-passive income from other sources until the sale or other disposition of the last of our Assets. The determination of whether losses are subject to the passive loss limitation rules depends upon facts unique to each investor, including the investor's level of activity in our business and affairs and the investor's other investment activities with respect to activities subject to classification as passive activities. Therefore, each investor should evaluate the degree to which the passive activity limitations will limit the ability of the investor to utilize losses to offset other income.

#### *At Risk Limitation*

The deductibility of Partnership losses is limited further by the “**at risk**” limitations set forth in the Internal Revenue Code. Limited Partners who are individuals, estates, trusts and certain closely held corporations are not allowed to deduct Partnership losses in excess of the amounts that such Limited Partners are determined to have “**at risk**” at the close of our fiscal year. Generally, a Limited Partner's “**amount at risk**” will include the amount of his cash capital contribution to us and his allocable share of amounts borrowed by the Partnership. A Limited Partner shall be considered “**at risk**” with respect to amounts borrowed by the Partnership to the extent that he is personally liable for the repayment of the amount borrowed and or with respect to the Limited Partner's share of any qualified nonrecourse financing which is secured by real property owned by the Partnership. A Limited Partner's “**amount at risk**” will be reduced by his allocable share of our losses and by distributions made by us and increased by his allocable share of our income. Any deductions that are disallowed under this limitation may be carried forward indefinitely and utilized in subsequent years to the extent that a Limited Partner's “**amount at risk**” is increased in those years.

#### **Allocations of Profit and Loss**

The terms “**net income**” and “**net loss**” are defined in the partnership agreement to mean the net income or loss realized or recognized by us for a fiscal year, as determined for federal income tax purposes, including any income exempt from tax.

Our General Partner does not intend to request a ruling from the Internal Revenue Service with respect to whether the allocations of profits and losses in our Limited Partnership Agreement will be recognized for federal income tax purposes. The Internal Revenue Service may attempt to challenge our allocations of profits and losses, which challenge, if successful, could adversely affect our limited partners by changing their respective shares of taxable income or loss. No assurance can be given that the Internal Revenue Service will not also challenge one or more of the special allocation provisions contained in our Limited Partnership Agreement.

## General Rules

Section 704(a) of the Internal Revenue Code provides generally that partnership items of income, gain, loss, deduction and credit are to be allocated among partners as set forth in the relevant partnership agreement. Section 704(b) provides, however, that if an allocation to a partner under the partnership agreement of income, gain, loss, deduction or credit or items thereof does not have substantial economic effect, such allocation will instead be made in accordance with the partner's interest in us determined by taking into account all facts and circumstances.

Treasury Regulations issued under Section 704(b) of the Internal Revenue Code, referred to herein as "**Section 704(b) Regulations**," provide complex rules for determining (1) whether allocations will be deemed to have economic effect, (2) whether the economic effect of allocations will be deemed to be substantial, and (3) whether allocations not having substantial economic effect will nonetheless be deemed to be made in accordance with a partner's interest in us.

### Economic Effect – General Allocations

The Section 704(b) Regulations provide generally that an allocation will be considered to have economic effect if the following three requirements are met:

- partners' capital accounts are determined and maintained in accordance with the Section 704(b) Regulations;
- upon our liquidation, liquidating distributions are made in accordance with the positive capital account balances of the partners after taking into account all capital account adjustments for the year during which such liquidation occurs; and
- The partnership agreement contains a "**qualified income offset**" provision and the allocation in question does not increase a deficit balance in a partner's capital account at the end of our taxable year.

Our Limited Partnership Agreement (i) provides for the determination and maintenance of capital accounts pursuant to the Section 704(b) Regulations, and (ii) provides that liquidation proceeds are to be distributed in accordance with capital accounts. See "Distributions and Allocations." With regard to the third requirement, Section 1.704-1(b)(2)(ii)(d) of the Treasury Regulations provides that a partnership agreement contains a "**qualified income offset**" if it provides that a partner who unexpectedly receives an adjustment, allocation or distribution of certain items that causes a deficit or negative capital account balance, which means generally that the sum of losses allocated and cash distributed to a partner exceeds the sum of his capital contributions to us and any income allocated to such partner, will be allocated items of income and gain in an amount and manner sufficient to eliminate the deficit balance as quickly as possible. Our Partnership Agreement contains a qualified income offset provision. The qualified income offset provision was added to the Partnership Agreement to satisfy the test for "**economic effect**" under the Section 704(b) Regulations. It should be noted in this regard that such qualified income offset provision will have the effect of prohibiting a Limited Partner from being allocated items of loss or deduction that would cause his capital account to be reduced below zero.

### Substantiality

Even if the allocations of profits and losses of a partnership are deemed to have economic effect under the Section 704(b) Regulations, an allocation will not be upheld unless the economic effect of such allocation is "**substantial**." In this regard, the Section 704(b) Regulations generally provide that the economic effect of an allocation is "**substantial**" if there is a reasonable possibility that the allocation will affect the dollar amounts to be received by partners from a partnership, independent of tax consequences.

Conversely, the economic effect of an allocation is presumed not to be substantial if there is a strong likelihood that the net adjustments to the partner's capital account for any taxable year will not differ substantially from the net adjustments that would have been made for such year in the absence of such allocation and the total tax liability of the partners for such year is less than it would have been in the absence of such allocations.

### **Partners' Interest**

If the allocations of profits and losses set forth in our Limited Partnership Agreement are deemed not to have substantial economic effect, the allocations will then be made in accordance with the partners' interests in us. The Section 704(b) Regulations provide in this regard that a partner's interest in us will be determined by taking into account all facts and circumstances relating to the economic arrangement of our partners, including:

- the partners' relative contributions to us;
- the interests of the partners in economic profits and losses (if different from those in taxable income or loss);
- the interests of the partners in cash flow and other non-liquidating distributions; and
- the rights of the partners to distributions of capital upon liquidation.

Since our Limited Partnership Agreement (i) provides for the determination and maintenance of capital accounts in accordance with the Section 704(b) Regulations, (ii) provides that liquidation proceeds will be distributed to the Limited Partner in accordance with capital accounts, and (iii) contains a qualified income offset provision, our counsel has concluded that Partnership items of income, gain, loss, deduction and credit will be allocated among our General Partner and the Limited Partners substantially in accordance with the allocation provisions of the Partnership Agreement. In reaching this conclusion, our counsel has made a number of assumptions, including the accuracy of various representations of our General Partner and the assumption that we will be operated strictly in accordance with the terms of our Limited Partnership Agreement. The tax rules applicable to whether allocations of items of taxable income and loss will be recognized are complex. The ultimate determination of whether allocations adopted by us will be respected by the Internal Revenue Service will turn upon facts that will occur in the future and that cannot be predicted with certainty. If the allocations we use are not accepted, limited partners could be required to report greater taxable income or less taxable loss with respect to an investment in us and, as a result, pay more tax and associated interest and penalties. Our Limited Partners might also be required to incur the costs of amending their individual returns.

### **Taxable Income Without Cash Distributions**

A Limited Partner is required to report his allocable share of our taxable income on his personal income tax return regardless of whether he has received any Cash Distributions from us.

Our Limited Partnership Agreement also provides for a “**qualified income offset**,” as described above, which could result in the allocation of income or gain to a Limited Partner in the absence of Cash Distributions from us. Although our Limited Partnership Agreement is designed to avoid allocation of taxable income without a corresponding distribution, we can offer no assurances that a Limited Partner will not be allocated items of Partnership income or gain in an amount that gives rise to an income tax liability in excess of cash, if any, received from us for the tax year in question, and investors are urged to consult with their personal tax advisors in this regard.

## **Investment by Qualified Plans and Other Tax-Exempt Entities**

### **Unrelated Business Taxable Income**

Any person who is a fiduciary of an IRA qualified retirement plan or other tax-exempt entity, which are collectively referred to as “**Exempt Organizations**,” considering an investment in Interests should be aware that it is likely that certain income allocable to Interests owned by Exempt Organizations may be subject to federal income tax. This would occur in the event that any portion of our income is deemed to be unified business taxable income (“**UBTI**”), which is generally defined as income derived from any unrelated trade or business carried on by a tax-exempt entity or by a partnership of which it is a member. A trustee of a charitable remainder trust should be aware that if any portion of the income derived from the trust’s ownership of Interests is deemed to be UBTI, the trust will lose its exemption from income taxation with respect to all of its income for the tax year in question. An Exempt Organization that has UBTI in any tax year from all sources of more than \$1,000 will be subject to taxation on such income only.

### **Minimum Distribution Requirements**

Any person who is a fiduciary of an IRA or a qualified retirement plan and is considering an investment in our Interests should also consider the impact of the minimum required distribution requirements under the Internal Revenue Code. Section 401(a)(9) of the Internal Revenue Code generally provides that initial minimum required distributions from retirement plans must be made commencing no later than April 1 of the year following the calendar year during which the participant attains age 70-1/2 and subsequent minimum required distributions must be made by December 31 of each year. Accordingly, if retirement plans investment primarily in the Interests, and, minimum required distributions must be made to an IRA beneficiary or a qualified plan participant before we sell our Spin-Off Corporation Investments, it is possible that an in-kind distribution of the Interests will be required to be made. The fair market value of any Interests distributed will be includable in the taxable income of an IRA beneficiary or qualified plan participant for the year in which the Interests are received without any corresponding Cash Distributions from us with which to pay the income tax liability arising out of any such distribution.

In certain circumstances, an in-kind distribution of Interests may not be necessary to meet the minimum distributions requirements, but only upon a showing of compliance with such requirements by reason of distributions from other retirement plan assets. Compliance with these requirements is complex, however, and potential investors are urged to consult with, and rely upon, their individual tax advisors with regard to all matters concerning the tax effects of distributions from retirement plans.

### **Syndication and Organizational Expenses**

Generally a current deduction is not allowed for expenses incurred in connection with either (i) organizing the Partnership or (ii) syndicating interests in the Partnership. Amounts that qualify as organizational expenses, as well as other start-up expenditures, of up to \$5,000 and reduced (but not below zero) by the amount by which such expenses exceed \$50,000 may be deducted currently and the remainder of such expenses be amortized ratably over 180 months. Syndication expenses are neither deductible nor amortizable and include costs and expenses incurred in connection with promoting and marketing the Interests such as selling commissions, professional fees and printing costs. The Internal Revenue Service may attempt to re-characterize certain costs and expenses that our General Partner intends to amortize over 180 months as nondeductible syndication expenses.

## **Dissolution and Liquidation**

Our dissolution and liquidation will involve the distribution to the partners of the cash remaining after the sale of our assets, if any, after payment of all of our debts and liabilities. If an investor receives cash in excess of the adjusted basis of his Interests, such excess will be taxable as a gain. If an investor were to receive only cash, he would recognize a loss to the extent, if any, that the adjusted basis of his Interests exceeded the amount of cash received. No loss would be recognized if an investor were to receive property other than money, unrealized receivables and “**inventory**” as defined in Section 751 of the Internal Revenue Code. There are a number of exceptions to these general rules, including but not limited to, (i) the effect of a special basis election under Section 732(d) of the Internal Revenue Code for an investor who may have acquired his partnership interest within the two years prior to the dissolution, and (ii) the effects of distributing one kind of property to some partners and a different kind of property to others, as determined under Section 751(b) of the Internal Revenue Code.

## **Capital Gains and Losses**

Ordinary income for individual taxpayers is currently taxed at a maximum marginal rate of 39.6%. Capital gains, however, are taxed at a maximum marginal rate of 20% for individuals (i.e., for gains realized with respect to capital assets held for more than 12 months). The Internal Revenue Code also provides, however, that the portion of long-term capital gain arising from the sale or exchange of depreciable real property that constitutes depreciation recapture will be taxed at a maximum marginal rate of 25% rather than 20%. Capital losses may generally be used to offset capital gains or may, in the absence of capital gains, be deductible against ordinary income on a dollar-for-dollar basis up to a maximum annual deduction of \$3,000 (\$1,500 in the case of a married individual filing a separate return).

## **Election for Basis Adjustments**

Under Section 754 of the Internal Revenue Code, we may elect to adjust the basis of our Property upon the transfer of an interest in us so that the transferee of a Partnership Interest will be treated, for purposes of calculating depreciation and realizing gain, as though he had acquired a direct interest in our assets. As a result of the complexities and added expense of the tax accounting required to implement such an election, our General Partner does not intend to cause us to make any such election. As a consequence, depreciation available to a transferee of Interests will be limited to the transferor’s share of the remaining depreciable basis of our assets, and upon a sale of a property, taxable income or loss to the transferee of the Interests will be measured by the difference between his share of the amount realized upon such sale and his share of our tax basis in the property, which may result in greater tax liability to him than if a Section 754 election had been made. The absence of such an election by us may result in investors having greater difficulty in selling their Interests.

## **Net Investment Income Tax**

In addition to all other taxes, there is imposed for each year beginning after December 31, 2012 a tax on the net investment income of every individual, other than nonresident aliens, estate and trust. For individuals, the tax equals 3.8% of the lesser of an individual's net investment income for such taxable year or the excess, if any, of the modified adjusted gross income for such taxable year over the threshold amount. In the case of an estate or trust, the tax equals 3.8% on the lesser of the undistributed net investment income for such taxable year or the excess, if any, of the adjusted gross income over the dollar amount at which the highest tax bracket for estates and trusts begins. Generally, net investment income means the excess, if any, of gross income from interest, dividends, annuities, royalties and rents as well as trade or business income if such trade or business is a “**passive activity**” to the taxpayer over the deductions which are properly allocable to such gross income or net gain. Modified adjusted income

means adjusted gross income increased by certain foreign earned income while threshold amount means \$250,000 for taxpayers making a joint return or surviving spouse and \$200,000 in any other case. Accordingly, each investor should consult with his own personal tax advisor regarding the possible application of the net investment income tax.

### **Alternative Minimum Tax**

Alternative minimum tax is payable to the extent that a taxpayer's alternative minimum tax liability exceeds his regular federal income tax liability for the taxable year. Alternative minimum tax for individual taxpayers is a percentage of "**alternative minimum taxable income**," or AMTI, in excess of certain exemption amounts. The first \$175,000 of AMTI in excess of the exemption amount is taxed currently at 26%, and AMTI in excess of \$175,000 over the exemption amount is taxed currently at 28%. The rates and exemption amount is indexed to inflation for years beginning after 2012. AMTI is generally computed by adding what are called "**tax preference items**" to the taxpayer's regular taxable income, with certain adjustments. While we do not anticipate that an investment in us will give rise to any specific tax preference items, the amount of alternative minimum tax imposed depends upon various factors unique to each particular taxpayer. Accordingly, each investor should consult with his own personal tax advisor regarding the possible application of the alternative minimum tax.

### **Penalties**

Under Section 6662 of the Internal Revenue Code, a 20% penalty is imposed on any "**substantial understatement of income tax**." In general, a "**substantial understatement of income tax**" will exist if the actual income tax liability of the taxpayer exceeds the income tax liability shown on the taxpayer's return by the greater of 10% of the actual income tax liability or \$5,000. The amount of an understatement may be reduced by any portion of such understatement that is attributable to (i) the income tax treatment of any item shown on the return if there is "**substantial authority**" for the taxpayer's treatment of such item on his return, or (ii) any item with respect to which the taxpayer (a) adequately discloses on his return the relevant facts affecting the item's income tax treatment, and (b) there is a reasonable basis for the item's tax treatment by the taxpayer, unless the transaction is a "**reportable transaction**". The Treasury Department is authorized to define a "**reportable transaction**" under Section 6011 of the Internal Revenue Code and has provided guidance as to certain transactions that are "**reportable transactions**." Based on our good faith projections and assumptions concerning our performance, we do not believe that we constitute a "**reportable transaction**."

In general if we were to constitute a "**reportable transaction**," the 20% substantial understatement penalty would be imposed on any understatement attributable to an investment in us, even if adequately disclosed, unless the investor taxpayer were able to show that there was reasonable cause for such understatement and the taxpayer acted in good faith. In order to show good faith, the taxpayer must (i) adequately disclose the facts affecting the transaction, in accordance with regulations promulgated under Internal Revenue Code Section 6111; (ii) there must be substantial authority for such treatment; and (iii) the taxpayer must have reasonably believed that such treatment was, more likely than not, the proper treatment. A taxpayer will be treated as having a reasonable belief with respect to the tax treatment of an item only if such belief (a) is based on the facts existing at the time of the tax return that includes the items filed, and (b) relates solely to the taxpayer's chance of success on the merits and does not take into account the possibility that the return will not be audited, the treatment will not be raised on audit, or the treatment will resolve through settlement.

A taxpayer may, but is not required to, rely on the opinion of a tax advisor in establishing reasonable belief with respect to the tax treatment of the item. However, a taxpayer may not rely on the opinion of the tax advisor if the opinion is provided by a "**disqualified tax advisor**" or is a "**disqualified**

**opinion.**” In general, a “**disqualified tax advisor**” is any advisor who (i) participates in the organization, management, promotion or sale of the transaction; (ii) is compensated directly or indirectly by a material advisor with respect to the transaction; (iii) has a fee arrangement with respect to transactions contingent on all or part of the intended tax benefits; or (iv) is determined as disqualified under regulations to be promulgated. A “**disqualified opinion**” is one that is (a) based on unreasonable or legal or factual assumptions, (b) unreasonably relies on representations, statements, findings or agreements made by the taxpayer or other persons, (c) does not identify or consider all relevant facts or (d) fails to meet any other requirement prescribed by the Secretary of the Treasury.

As noted above, we do not believe we constitute a “**reportable transaction.**” However, if we were found to be a “**reportable transaction,**” then, because our counsel, Law Office of Jillian Sidoti, has participated in our organization and is compensated by a material advisor in certain circumstances, it would be a “**disqualified advisor**” for these purposes and reliance on the opinions of The Law Office of Jillian Sidoti would not protect investors from potential liability for the 20% substantial understatement penalty.

In addition to the substantial understatement penalty described above, the Internal Revenue Code also imposes a 20% penalty on any portion of an underpayment of tax attributable to (i) any substantial valuation misstatement, defined generally as a situation where the value or adjusted basis of a property claimed on a return is 200% or more of the correct value or adjusted basis, or (ii) negligence, defined as any failure to make a reasonable attempt to comply with the Internal Revenue Code, or a careless, reckless or intentional disregard of federal income tax rules or regulations.

### **Disclosure of Reportable Transactions**

Under recent amendments to Sections 6111, 6112, 6707 and 6708 of the Internal Revenue Code, each material advisor with respect to any reportable transaction is required to file an information return with the Secretary of the Treasury in a manner and form to be prescribed by regulations that are to be issued. The penalties for failure to file are severe and include penalties of \$50,000, which may be increased significantly if the reportable transaction is a “**listed transaction.**”

We do not believe that we constitute or will constitute a reportable transaction, nor do we believe we constitute a listed transaction. Accordingly, we do not believe that these increased penalty provisions will apply. However, were they to do so, they could have severe adverse effect on the ability of our General Partner and its affiliates to continue to operate successfully and continue to work with us.

### **Partnership Tax Information; Partner Tax Returns**

We will furnish to our Limited Partners sufficient information from our annual tax returns to enable the Limited Partners to prepare their own federal, state and local tax returns. Limited Partners either must report Partnership items on their returns consistently with the treatment on our information return or must file Form 8082 with their returns identifying and explaining any inconsistency. Otherwise, the Internal Revenue Service may treat such inconsistency as a computational error, recompute and assess the tax without the usual procedural protection applicable to federal income tax deficiency proceedings, and impose penalties for negligent or intentional failure to pay tax.

### **Audits**

The Internal Revenue Service often audits partnership tax returns. Deductions that are claimed by us may be challenged and disallowed by the Internal Revenue Service. Any such disallowance may deprive investors holding Interests of some or all of the tax benefits incidental to an investment in us.

An audit of the Partnership could also result in the payment by us of substantial legal and accounting fees in our attempts to substantiate the reporting positions taken, and any such fees would reduce the cash otherwise available for distribution to the Limited Partners. Any such audit may result in adjustments to our tax returns that would require adjustments to each Limited Partner's personal income tax return and may require such Limited Partners to pay additional taxes plus interest. In addition, any audit of a Limited Partner's return could result in adjustments of other items of income and deductions not related to our operations.

In the event of an audit of our tax return, our General Partner will take primary responsibility for contesting federal income tax adjustments proposed by the Internal Revenue Service. Our General Partner may also extend the statute of limitations as to all partners and, in certain circumstances, bind the Limited Partners to such adjustments. Although our General Partner will attempt to inform each Limited Partner of the commencement and disposition of any such audit or subsequent proceedings, Limited Partners should be aware that their participation in administrative or judicial proceedings relating to Partnership items will be substantially restricted.

You should note that in the event our General Partner causes us to or we are statutorily mandated to be treated as an “**Electing Large Partnership**” under the Internal Revenue Code, thereby enabling us to take advantage of simplified flow-through reporting of partnership items, any adjustments to our tax returns would be accounted for in the year such adjustments take effect, rather than the tax year to which such adjustments relate. Further, our General Partner will have the discretion in such circumstances either to pass along adjustments to the partners, or to cause such adjustments to be borne at the Partnership level, which could reduce the cash otherwise available for distribution to Limited Partners. Any penalties and interest could also be borne at the Partnership level. Potential investors are urged to consult their own tax advisors with regard to the effect of simplified pass-through reporting and the changes to partnership audit procedures in effect as a consequence thereof.

## **State Income Tax Considerations Generally**

### **Resident Limited Partners**

California residents are taxed on all of their worldwide income computed under California law.

### **Nonresident Limited Partners**

In general, partnerships are required to withhold tax when distributing current or prior year income to domestic (non-foreign) nonresident partners unless the partnership receives authorization from the Franchise Tax Board for a waiver or reduced withholding amount. Typically, nonresident shareholders then file California Form 540NR to report the income and pay additional tax due or claim a refund.

## **Tax Legislation and Regulatory Proposals**

Significant tax legislation has been enacted in recent years containing provisions that altered the federal income tax laws relating to an investment in partnerships such as the Partnership. In addition, legislative proposals continue to be made which could also significantly change the federal income tax laws as they relate to an investment in us. It is impossible at this time, however, to predict whether or in what form any such legislation will be enacted. Further, the interpretation of changes made in recent years is uncertain at this time. Each prospective investor is urged to consult his own personal tax advisor with respect to his own tax situation, the effect of any legislative, regulatory or administrative developments or proposals on an investment in our Interests, or other potential changes in applicable tax laws.

### **XIII. SUMMARY OF THE PARTNERSHIP AGREEMENT**

The Partnership Agreement, in the form attached hereto as Exhibit B, is the governing instrument establishing the terms and conditions pursuant to which the Partnership will conduct business and the rights and obligations between and among the Limited Partners and the General Partner, as well as other important terms and provisions relating to investment in the Partnership. A prospective Limited Partner is expected to read and fully understand the Partnership Agreement in its entirety prior to making a decision to purchase Interests. The following is a brief and incomplete summary of the terms of the Partnership Agreement and is qualified in its entirety by reference to the Partnership Agreement.

#### **Profits and Losses**

Losses for any fiscal year shall be allocated among the Limited Partners in proportion to their positive Capital Account balances, until the balance of each Capital Account equals zero. Thereafter, all losses shall be allocated in accordance to the individual Limited Partner's initial Capital Contributions. Profits shall be similarly allocated, but profits will first be allocated pro rata to the Limited Partner in accordance with the amount of Losses previously allocated if such previous Losses were not offset by Profits. Thereafter, Profits shall be allocated in accordance with the amount of the Limited Partner's distributive share.

#### **Operating Cash Distributions**

At the election of the General Partner, the Partnership will make distributions of available cash or marketable securities in amounts to be determined at the sole discretion of the General Partner, as follows:

- a) The General Partner may elect distribute the shares to the Limited Partners. Such distributions will reduce the Capital Account Balance of the individual Limited Partners until such time, with a combination of such shares (marketable securities) and cash, the Limited Partners' Capital Account Balances reach \$0. Such decreases in the Capital Account Balances of Limited Partners shall be pro rata in accordance with the equation below.

$$\text{Cash Available for Distributions} * (\text{Individual Limited Partner Capital Account Balance} / \text{Total Limited Partner Capital Account Balance}) = \text{Distribution to a Limited Partner}$$

- b) Thereafter, the General Partner will make distributions whereby the General Partner will receive 20% of all distributions.
- c) Then, 80% of the remaining available cash for distributions (referred to as "RACD" in the equation below) to the Limited Partners, prorata, in accordance with their Capital Account balance. For example, a Limited Partner will be entitled to an amount equal to RACD multiplied by a fraction whereby the individual Limited Partner's Capital Account balance is the numerator and the total Capital Account balances of all Limited Partners is the denominator.

$$\text{RACD} * (\text{Individual Limited Partner Capital Account Balance} / \text{Total Limited Partner Capital Account Balance}) = \text{Distribution to a Limited Partner}$$

## **Additional Capital Contribution**

Each Limited Partner may need to contribute additional capital to the Partnership in an amount proportionate to their Percentage Interest if the General Partner determines, in their reasonable business judgment, that such contributions are required to enable the Partnership to continue to operate.

Such additional capital contributions shall be made by the Limited Partners within thirty (30) business days after written notice is received from the General Partner setting forth the amount of additional capital required. Those Members that choose not to participate in any such capital call as described herein, will most likely be subject to dilution.

## **Voting Rights of the Partners**

The Limited Partners will have no right to participate in the management of the Partnership and will have limited voting rights. Limited Partners shall have the right to vote only on the following matters:

**Admission of Additional Partners:** Upon the Partnership obtaining Capital Contributions of \$50,000,000, the General Partner shall not admit any person as a Limited Partner, other than as a substituted Limited Partner, without the consent of the General Partner and the Limited Partners holding all of the Interests.

**Removal of the General Partner:** The General Partner may be removed for Good Cause upon the affirmative vote of Limited Partners holding 75% of the Partnership Interests. As defined in the Limited Partnership Agreement, Good Cause shall not include a reasonable mistake of judgment made in good faith and based upon facts known at the time the decision was made, but shall include gross negligence and acts taken in willful disregard of the best interests of the Partnership. Further, all guarantees provided to creditors of the Partnership by the General Partner and its Manager must be canceled and returned prior to removal.

**Vacancy of General Partner:** Any vacancy caused by the removal of any General Partner shall be filled by the affirmative vote of the Limited Partners holding a majority of the Interests at a special meeting called for that purpose.

**Dissolution of the Partnership:** The Limited Partners holding 75% of the Interests can vote to dissolve the Partnership. However, the Partnership can be dissolved as a result of other actions that do not require the vote of the Limited Partners, as set forth in the Partnership Agreement.

**Change To Limited Partner Distribution Structure:** Any proposed change to the Limited Partner distribution structure will require approval by Limited Partners holding 100% of the Partnership. A non-response by a Limited Partner shall be deemed a vote that is consistent with the General Partner's recommendation with respect to any proposal.

**Amendment of Partnership Agreement:** The Partnership Agreement may be amended or modified from time to time only by a written instrument adopted by the General Partner and executed and agreed to by the Limited Partners holding a majority of the interests; provided, however, that: (i) an amendment or modification reducing a Limited Partner's allocations or share of distributions (other than to reflect changes otherwise provided by the Partnership Agreement) is effective only with that Limited Partner's consent; (ii) an amendment or modification reducing the required allocations or share of distributions or other measure for any consent or vote in the Partnership Agreement is effective only with the consent or vote specified in the Partnership Agreement prior to such amendment or modification; and

(iii) an amendment that would modify the limited liability of a Limited Partner is effective only with that Limited Partner's consent. The Partnership Agreement may be amended by the General Partners without the consent of the Partners: (i) to correct any errors or omissions, to cure any ambiguity or to cure any provision that may be inconsistent with any other provision hereof or with any subscription document; or (ii) to delete, add or modify any provision required to be so deleted, added or modified by the staff of the Department of Corporations of California or similar official, when the deletion, addition or modification is for the benefit or protection of any of the General Partner and/or Limited Partners.

**Tax Matters Partner:** If the General Partner shall fail or refuse to serve, the “**tax matters partner**” shall be a Limited Partner who is designated as such by the Limited Partners holding a majority of the Interests.

### **Consent of Limited Partners**

In any circumstances requiring the approval or consent of the Limited Partners as specified in the Limited Partnership Agreement, such approval or consent shall, except as expressly provided to the contrary in the Limited Partnership Agreement, be given or withheld in the sole and absolute discretion of the Limited Partners and conveyed in writing to the General Partner not later than 20 days after such approval or consent was requested by the General Partner. The General Partner may require a response within a shorter time, but not less than 5 Business Days. A failure to respond in any such time period shall constitute a vote that is consistent with the General Partner's recommendation with respect to the proposal. If the General Partner receives the necessary approval or consent of the Limited Partners to such action, the General Partner shall be authorized and empowered to implement such action without further authorization by the Limited Partners.

### **Death, Disability, Incompetency or Bankruptcy of a Limited Partner**

In the event of the death, disability, incapacity or adjudicated incompetency of a Limited Partner or if a Limited Partner becomes bankrupt, his, her or its rights as a Limited Partner to share in the Partnership's distributions and allocations and to assign his, her or its interest or cause the substitution of a substituted Limited Partner will transfer to his, her or its personal representative, administrator, guardian, conservator, trustee in bankruptcy or other legal representative (“**Successor**”). In the event Interests are held in joint tenancy, such Interests will pass to the surviving joint tenant. The Successor will be liable for all the obligations as a Limited Partner and may become a substitute Limited Partner with respect to the Interests.

### **Limits on General Partner's Liability; Indemnification**

The Partnership does hereby agree to protect, defend, indemnify and hold the General Partner, its officers, directors, shareholders and authorized agents, members of the Investment Committee, and any Person serving at the request of the Partnership as a manager, managing member, employee or agent of any other entity (each a “**Indemnified Party**”), harmless from and against any liability, cost, loss, expense (including, without limitation, attorney's fees) or damage (or collectively, “**Losses**”) suffered by such Indemnified Party by reason of anything that they, or any of them, may do or refrain from doing hereafter for and on behalf of the Partnership or otherwise in their designated capacities, and in furtherance of the interests of the Partnership; provided, however, that the Partnership shall not be required to indemnify such Indemnified Party from Losses as a result of the fraud, bad faith or willful misconduct of the General Partner or such Indemnified Party.

The Partnership shall pay or reimburse in advance of the final disposition of a proceeding any reasonable expenses incurred by any Indemnified Party who was, is or is threatened to be, made a named

defendant or respondent in such a proceeding after the Partnership receives a written affirmation by such Indemnified Party of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification as set forth herein, and a written undertaking by such Indemnified Party to repay the amount paid or reimbursed if it is ultimately determined that he has not met those requirements.

The termination of a proceeding by judgment, order, settlement, or conviction, or on a plea of nolo contendere or its equivalent is not of itself determinative that the Person did not meet the requirements set forth herein. A Person shall be deemed to have been found liable in respect of any claim, issue or matter only after the Person shall have been finally so adjudged by a court of competent jurisdiction and no opportunity for appeal then exists. The protection and indemnification provided by this Agreement shall not be deemed exclusive of any other rights to which such Person may be entitled, under any agreement, insurance policy or vote of the Partners, or otherwise. The General Partners, its Manager and affiliates, may be indemnified for any losses realized due to guarantees, personal or otherwise, provided to creditors on behalf of the Partnership.

#### **Other Activities of General Partner: Affiliates**

The General Partner need not devote its full time to the Partnership's business, but shall devote such time as the General Partner in its discretion, deems necessary to manage the Partnership's affairs in an efficient manner. Subject to the other express provisions of the Partnership Agreement, the General Partner, at any time and from time to time may engage in and possess interests in other business ventures of any and every type and description, independently or with others, including ventures in competition with the Partnership, with no obligation to offer to the Partnership or any Limited Partner the right to participate therein, The Partnership may transact business with any General Partner, Limited Partner, officer, agent or affiliate thereof provided the terms of those transactions are no less favorable than those the Partnership could obtain from unrelated third parties.

#### **Transfers of Interests**

A Limited Partner may assign, his, her or its Interests only if only if certain conditions set forth in the Partnership Agreement are satisfied. Except as otherwise consented to by the General Partner, the assignee must meet all suitability standards and other requirements applicable to other original subscribers and must consent in writing to be bound by all the terms of the Partnership Agreement. In addition, the Partnership must receive written evidence of the assignment in a form approved by the General Partner and the General Partner must have consented in writing to the assignment. The General Partner may withhold this consent in its sole and absolute discretion. Prior to the General Partner's consenting to any assignment, the Limited Partner must pay all reasonable expenses, including accounting and attorneys' fees, incurred by the Partnership in connection with the assignment, including, but not limited to payment of a transfer fee in the amount of \$1,500 to the Partnership, which fee shall be non-refundable, regardless of whether the transfer is subsequently approved.

#### **Death or Incapacitation of the General Partner's Manager**

The death or incapacitation of the Manager, particularly Mr. Goth, will essentially leave the Partnership without a General Partner as it will be unable to render its duties as General Partner. Therefore, in such an event, the Limited Partners may hold a meeting to elect a new General Partner to provide management services to the Partnership. Proper notice as described herein shall be given to all the Limited Partners. The General Partner will be voted in by 75% of the Percentage Interests that cast votes. Further, all guarantees provided by the General Partner, its Manager and its affiliates, must be canceled prior to removal of the General Partner.

## **Dissolution of the Partnership, Liquidation and Distribution of Spin-Off Corporation Investments**

The Partnership shall be dissolved upon the first to occur of the following events: (i) seven (7) years after the Partnership raises \$2,000,000 from this Offering that is on deposit in the Escrow Account and begins operations, unless extended for two (2) years pursuant to approval by the Limited Partners, but in no event later than December 31, 2026, (ii) the happening of any other event that makes it unlawful, impossible or impractical to carry on the business of the Partnership, (iii) the vote of the Limited Partners holding an aggregate Percentage Interest of more than 75%, or (iv) the General Partner ceases to be a general partner of the Partnership and a Majority of Interest of the Limited Partners elect not to continue the business of the Partnership. In the cases of (iii) and (iv) above, all guarantees provided by the General Partner, its Manager and its affiliates, must be canceled prior to dissolution and liquidation.

## **Power of Attorney**

By becoming a party to the Partnership Agreement, each Limited Partner will appoint the General Partner as his or her attorney-in-fact and empower and authorize the General Partner to make, execute, acknowledge, publish and file on behalf of the Limited Partner in all necessary or appropriate places, such documents as may be necessary or appropriate to carry out the intent and purposes of the Partnership Agreement.

## **Accounting Records and Reports**

The Partnership shall engage an independent certified public accountant or accounting firm, in the discretion of the General Partner, to act as the accountant for the Partnership and to provide an audit of the Partnership's books and accounts as of the end of each fiscal year. As soon as practicable after the end of such fiscal year, but in no event later than 120 days after the end of such fiscal year, the General Partner shall provide to each Limited Partner and to each former Limited Partner who withdrew during such fiscal year, (i) financial statements of the Partnership as of the end of and for such fiscal year, including a balance sheet and statement of income, together with the report thereon of the Partnership's independent certified public accountant or accounting firm (ii) a Schedule K-1 for such Partner with respect to such fiscal year, prepared in accordance with the Code, together with corresponding forms for state income tax purposes, setting forth such Partner's distributive share of Partnership items of Profit or Loss for such fiscal year and the amount of such Partner's Capital Account at the end of such fiscal year, and (iii) such other financial information and documents respecting the Partnership and its business as the General Partner deems appropriate, or as a Limited Partner may reasonably require and request in writing, to enable such Limited Partner to prepare its federal and state income tax returns.

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#### **XIV. LEGAL MATTERS**

The General Partner has engaged legal counsel to advise it in connection with the preparation of this Offering Circular and the Partnership Agreement, as well as the offer and sale of the Interests offered hereby. Such counsel has not been retained to provide legal services in connection with the drafting of any of the potential Spin-Off Corporation Investment documents, the negotiation or closing of any Spin-Off Corporation Investments or the management of any Spin-Off Corporation Investments, nor has it represented the interests of the Limited Partners in connection with the Interests offered hereby. Investors purchasing Interests that wish to obtain the benefit of review by legal counsel on their behalf must retain their own attorneys to do so.

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**XV. ADDITIONAL INFORMATION AND UNDERTAKINGS**

The General Partner undertakes to make available to each offeree every opportunity to obtain any additional information from the Partnership or the General Partner necessary to verify the accuracy of the information contained in this Offering Circular, to the extent that they possess such information or can acquire it without unreasonable effort or expense. This additional information includes, without limitation, all the organizational documents of the Partnership, and all other documents or instruments relating to the operation and business of the Partnership and material to this offering and the transactions contemplated and described in this Offering Circular.

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## **XVI. INTEGRATION**

This Private Placement Memorandum is to be distributed only by the General Partner and only to individuals who represent in writing that they meet the income, net worth and suitability requirements established for investors by the General Partner.

This Private Placement Memorandum represents the complete package of information and disclosures on the Partnership. Investors should not rely on any verbal information that is not set forth in writing within this document.

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**EXHIBIT A**  
**LIMITED PARTNERSHIP AGREEMENT**

Forentis Fund, L.P.  
A California limited partnership

THE INTERESTS IN THIS LIMITED PARTNERSHIP AGREEMENT HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), IN RELIANCE UPON THE EXEMPTIONS FROM SUCH REGISTRATION REQUIREMENTS PROVIDED FOR UNDER REGULATION D RULE 506 OF THE SECURITIES ACT. ACCORDINGLY, THE INTERESTS MAY ONLY BE HELD BY ACCREDITED INVESTORS AND NON-U.S. CITIZENS WHO ARE RESIDENTS OF A FOREIGN NATION, WHO MEET THE SUITABILITY STANDARDS DESCRIBED WITHIN THE OFFERING CIRCULAR PURSUANT TO WHICH THE INTERESTS ARE SOLD (“OFFERING CIRCULAR.”) NO INTERESTS MAY BE SOLD OR OTHERWISE TRANSFERRED EXCEPT TO PERSONS WHO WERE ELIGIBLE TO PURCHASE INTERESTS AS DESCRIBED IN THE OFFERING CIRCULAR AND WITHIN THE TERMS OF THIS PARTNERSHIP AGREEMENT.

THE INTERESTS REPRESENTED BY THIS DOCUMENT ARE SUBJECT TO FURTHER RESTRICTION AS TO THEIR TRANSFER, AS SET FORTH IN THE AGREEMENT OF LIMITED PARTNERSHIP AND AGREED TO BY EACH LIMITED PARTNER. SAID RESTRICTION PROVIDES THAT NO INTEREST MAY BE TRANSFERRED WITHOUT THE CONSENT OF THE GENERAL PARTNER, WHICH CONSENT SHALL NOT BE UNREASONABLY WITHHELD.

THIS RESTATED AND AMENDED AGREEMENT OF LIMITED PARTNERSHIP (this “*Agreement*”) of **FORENTIS FUND, L.P.**, a California limited partnership (“*Partnership*”), as of May 1, 2016 (the “*Effective Date*”), by and among **FORENTIS PARTNERS, LLC.**, a California limited liability company, as the “*General Partner*,” and those Persons admitted from time to time as limited partners of the Partnership upon execution of a Subscription Agreement for Interests whose names are set forth and recorded in the books and records of the Partnership, as the “*Limited Partners*.”

All capitalized terms used herein are defined in the **Glossary** attached hereto and incorporated herein by this reference.

**ARTICLE I**  
**FORMATION, NAME AND CERTIFICATE**

1.01 **Formation**. The Partnership has been formed as a limited partnership pursuant to the provisions of the Act and this Agreement sets forth the rights, duties and obligations of the General Partner, the limit of liabilities of the Limited Partners, and the rights of the Partners with respect to the assets of the Partnership and the profits and losses which the Partners shall receive from the Partnership by reason of their being Partners.

1.02 **Name of Partnership.** The Partners hereby agree that the Partnership shall conduct its business under the name of “Forentis Fund, L.P.”

1.03 **Certificate of Limited Partnership.** The General Partner has executed a Certificate of Limited Partnership pursuant to the relevant provisions of the Act, which has been duly filed in the Office of the Secretary of State of California.

1.04 **Registered Agent.** The registered agent for service of process for the Partnership shall be Jay Goth, or any successor as appointed by the General Partner in accordance with the Act. The registered office of the Partnership is located at 26442 Beckman Court, Murrieta, CA 92562.

## **ARTICLE II** **PRINCIPAL PLACE OF BUSINESS**

The principal place of business of the Partnership shall be 26442 Beckman Court, Murrieta, CA 92562, or at such other place or places as the General Partner may from time to time elect upon notice to the Limited Partners.

## **ARTICLE III** **TERM OF THE PARTNERSHIP**

The term of the Partnership commenced as of the date the Certificate of Limited Partnership was filed in the Office of the Secretary of State of California, and shall continue until terminated by the winding up and liquidation of the Partnership and its business following a Dissolution Event, as provided in Article XI hereof.

## **ARTICLE IV** **BUSINESS PURPOSE AND POWERS**

The principal business of the Partnership is to primarily to invest in Blueprint Bio (“**Blueprint**”) and Emerald Logic (“**Emerald**”) (collectively, referred to as “**Portfolio Compan(y)ies**”) and any spin-off subsidiary companies (“**Spin-Off Corporations**”) or joint ventures derived from these Portfolio Companies for two (2) to seven (7) years with the expectation to wind up the Partnership in year seven. The Portfolio Companies intend to enter into multiple joint venture agreements with a variety of joint venture partners (“**JV Partners**”) for the purposes of advanced diagnostics, treatments and drug development relating to a variety of medical conditions including, but not limited to, addiction, diseases and conditions related to the central nervous system, lung cancer, renal cancer, and inflammatory diseases such as rheumatoid arthritis. JV Partners may include universities, hospitals, research centers, and pharmaceutical companies. The Portfolio Companies, when paired with an appropriate JV Partner, may rescue failed clinical trials for a variety of drugs, assist with the discovery of new treatments for a variety of medical conditions, and help with the development of new diagnostics. The Partnership shall have the power to do and perform all things necessary for, incident to and connected with or arising out of

such purpose, as determined by the General Partner, and shall take such actions as may be conducive to the accomplishment of such purpose.

## **ARTICLE V** **CAPITAL AND LOANS**

5.01 **Partners' Capital Contributions.** Each Partner shall contribute the amount set forth for such Partner on the books and records of the Partnership as his, her or its Capital Contribution. Said amount shall be credited to the Partners' respective Capital Accounts upon the date of contribution. No Limited Partner shall be deemed admitted into the Partnership, unless such Limited Partner has fully funded such Limited Partner's Capital Contribution.

5.02 **Capital Contributions in General.** Except as otherwise expressly provided in this Agreement, (a) no part of the contributions of any Partner to the capital of the Partnership may be withdrawn by such Partner, (b) no Partner shall be entitled to receive interest on his, her or its contributions to the capital of the Partnership, (c) no Partner shall have the right to demand or receive property other than cash in return for his, her or its contributions to the Partnership, (however, the General Partner may elect to distribute marketable securities received by the Partnership to Limited Partners to reduce the Capital Account Balance of a Limited Partner, See Article VII.) and (d) no loan made by any Partner to the Partnership shall increase such Partner's Percentage Interest. All Capital Contributions made by a Partner shall establish the number of Interests held by each Limited Partner, and be credited to his, her or its Capital Account in the amount of such contribution, and the Percentage Interests of the Partners will be adjusted to reflect the new relative proportions of the Capital Accounts of the Partners.

5.03 **Obligations of the Limited Partners.** Except as set forth in Section 5.01 above, in no event shall the Limited Partners have any obligation or duty to contribute capital or make a loan or loans to the Partnership. In no event shall the Limited Partners be liable or accountable in damages or otherwise to the Partnership or to any third party for any debts or liabilities of the Partnership.

## **ARTICLE VI** **ALLOCATION OF PROFITS AND LOSSES**

6.01 **Net Losses.** Net Losses of the Partnership for each fiscal year shall be charged to the Partners at the end of such fiscal year as follows:

- (a) **Reduction of Capital.** First, to those Partners with a positive Capital Account balance in the ratio that each such Partner's Capital Account bears to the Capital Accounts of all such Partners until and to the extent required to reduce the positive balance of such Partners' Capital Accounts to zero;
- (b) **General Partner.** Thereafter, to the General Partner.

6.02 **Net Profits.** Net Profits for each fiscal year shall be allocated to the Partners at the end of each fiscal year in the following order of priority:

- (a) **Excess General Partner Losses.** First, to the General Partner to the extent the Net Losses charged to the General Partner for the current and all prior Fiscal Years under Section 6.01(c) above exceeds the Net Profits allocated to the General Partner for the current and all prior Fiscal Years pursuant to this Section 6.02(a);
- (b) **Chargeback for Capital Reduction.** Next, to the Partners, to the extent of and in proportion to the amount by which Net Losses charged to each such Partner for the current and all prior Fiscal Years of the Partnership under Section 6.01(a) above exceeds the Net Profits allocated to each such Partner for the current and all prior Fiscal Years of the Partnership pursuant to this Section 6.02 (b);
- (c) **Preferred Returns.** Next, pro-rata among the Limited Partners in amounts equal to the actual distributions of Preferred Returns to such Limited Partners pursuant to Section 7.01(a) and/or Section 7.02(b) below; and
- (d) **Remainder.** Thereafter, Eighty (80%) to the Limited Partners and Twenty percent (20%) to the General Partner.

6.03 **Differing Tax Basis; Tax Allocation.** The Partners shall cause depreciation or cost recovery deductions and gain or loss with respect to each item of property to be allocated among the Partners for federal income tax purposes in accordance with the principles of Section 704(c) of the Code and the Regulations promulgated thereunder, and for state income tax purposes in accordance with the principles of comparable state provisions, as amended, and the regulations promulgated thereunder, so as to take into account the variation, if any, between the adjusted tax basis of such property and its gross asset value. Any elections or other decisions relating to such allocations shall be made by the General Partner in any manner that reasonably reflects the purpose and intention of this Agreement.

6.04 **Minimum Gain.** Notwithstanding the foregoing provisions of this Article VI, if there is a net decrease in Partnership minimum gain (as defined in Regulation Section 1.704-2(d)(1)) during any Fiscal Year, each Partner shall be allocated items of income and gain for such period equal to that Partner's Share of the net decrease in Partnership minimum gain in accordance with the principles set forth in Regulation Section 1.704-2(f)(1).

6.05 **Depreciation Recapture.** Each Partner's allocable Share of Partnership Net Profits which is characterized as ordinary income pursuant to Sections 1245 or 1250 of the Code or the applicable state sections, as amended, with respect to the disposition of an item of Partnership property, shall bear the same ratio to the total Net Profits so characterized of the Partnership as such Partner's Share of the past depreciation and/or cost recovery deductions taken with respect to the item of property bears to all the Partners' past depreciation and/or cost recovery deductions with respect to that property.

6.06 **Qualified Income Offset.** Notwithstanding anything to the contrary contained herein, it is the intention of the Partners that allocations of Net Profits and Net Losses to the Partners shall

be made in compliance with the provisions of Regulations Section 1.704-1(b)(2)(ii)(d). In furtherance thereof, the following provision shall apply:

- (a) **Deficit Balance.** Net Losses shall not be allocated to the Limited Partners if such allocation would, together with any decrease (and increase) of the Limited Partner's Capital Account pursuant to the provisions of the Regulations Sections 1.704-1, (5) and (6), cause or increase a deficit balance. Each Limited Partner's Capital Account adjusted as provided by this Section 6.06(a) shall be referred to as the "*Adjusted Capital Account.*"
- (b) **Other Losses.** Any Net Losses not allocable to the Limited Partners pursuant to Section 6.06(a) shall be allocated to the General Partner.
- (c) **Unexpected Allocation.** If the Limited Partners unexpectedly receive an adjustment, allocation or distribution described in Regulations Sections 1.704-1(b)(2)(ii)(d)(4), (5) and/or (6), then the Limited Partners will be allocated items of income and gain in an amount and manner sufficient to eliminate any deficit balance in the Limited Partners' Adjusted Capital Accounts as quickly as possible.

6.07 **Interpretation.** The provisions of this Article VI are intended to comply with Regulation Sections 1.704-1(b) and 1.704-2, as amended from time to time, and shall be interpreted in accordance therewith.

## **ARTICLE VII** **DISTRIBUTION OF CASH FLOW AND COMPANY ASSETS**

7.01 **Operating Cash Flow.** At the election of the General Partner, the Partnership will make distributions of available cash or marketable securities in amounts to be determined at the sole discretion of the General Partner, as follows:

- (a) The General Partner may elect distribute the shares from result cash flow from activities from a Spin-Off Corporation to the Limited Partners. Such distributions will reduce the Capital Account Balance of the individual Limited Partners until such time, with a combination of such shares (marketable securities) and cash, the Limited Partners' Capital Account Balances reach \$0. Such decreases in the Capital Account Balances of Limited Partners shall be pro rata in accordance with the equation below.

Cash Available for Distributions \* (Individual Limited Partner Capital Account Balance / Total Limited Partner Capital Account Balance) = Distribution to a Limited Partner

- (b) Thereafter, the General Partner will make distributions whereby the General Partner will receive 20% of all distributions.
- (c) Then, 80% of the remaining available cash for distributions (referred to as "RACD" in the equation below) to the Limited Partners, prorata, in accordance

with their Capital Account balance. For example, a Limited Partner will be entitled to an amount equal to RACD multiplied by a fraction whereby the individual Limited Partner's Capital Account balance is the numerator and the total Capital Account balances of all Limited Partners is the denominator.

$$\text{RACD} * (\text{Individual Limited Partner Capital Account Balance} / \text{Total Limited Partner Capital Account Balance}) = \text{Distribution to a Limited Partner}$$

7.02 **Capital Transaction Cash Flow.** In the event of a Capital Transaction, the proceeds from such a Capital Transaction will first go to pay any indebtedness of the Company involved in the Capital Transaction and any other debts and liabilities owed by the Partnership and reserves necessary for future liabilities as determined by the General Partner, and then will be distributed as follows:

- (a) First, to the Limited Partners, in an amount equal to 100% of that portion of each Limited Partner's Capital Account allocated to the Spin-Off Corporation or asset involved in the Capital Transaction, based upon the cost or investment in that Spin-Off Corporation or asset as a percentage of the cost of all Spin-Off Corporation or asset owned by the Partnership.
- (b) Second, twenty percent (20%) of the Cash Flow still available to the General Partner.
- (c) Thereafter, the remaining Cash Flow to the Limited Partners in proportion to their respective Percentage Interests.

## **ARTICLE VIII** **MANAGEMENT**

8.01 **Power and Authority of the General Partner.** Except as otherwise expressly provided in this Agreement, the General Partner alone shall have the sole and exclusive power and authority to manage all facets of the business of the Partnership. Without limiting the generality of the foregoing, the General Partner is expressly authorized on behalf of, and at the expense of, the Partnership to take any of the following actions without the consent of the Limited Partners:

- (a) **Contracts.** Execute agreements, contracts, documents, affidavits, assignments, bills of sale, certifications and other instruments necessary or convenient in connection with the acquisition, disposition, encumbrance, development, management, maintenance and operation of a Spin-Off Corporation, or in connection with managing the affairs of the Partnership.
- (b) **Acquisitions, Financing, Sales and Other Transactions.** Acquire, operate, maintain, finance, entitle, improve, construct, sell or otherwise convey, assign, and/or enter into lease agreements or options for any real or personal property as may be necessary, convenient or incidental to the accomplishment of the purposes of the Partnership.

- (c) **Loans.** Incur debt on behalf of the Partnership on such terms and conditions as determined appropriate by the General Partner;
- (d) **Contractors.** Retain, determine the level of compensation, supervise and coordinate any independent contractors engaged by the Partnership and other persons and entities rendering services to the Partnership, including, without limitation, causing the Partnership to enter into management agreements for the management of the any investment made by the Partnership, the business of the Partnership or any portion thereof.
- (e) **Licenses.** Obtain any and all licenses including, without limitation, business licenses, and any other licenses or permits which may be required in connection with the business operations of the Partnership.
- (f) **Insurance.** Obtain and keep in force insurance for the protection of the Partners and the Partnership and all insurance coverage it elects to obtain.
- (g) **Payment of Bills.** Promptly paying, when due, all Partnership costs and expenses.
- (h) **General Administrative.** Perform all other functions of a general and administrative nature.
- (i) **Compliance.** Using diligent efforts to cause the Partnership to comply with obligations imposed upon it pursuant to any and all laws and regulations applicable to the Partnership.
- (j) **Accounting and Reports.** Keep the books, records and accounts of the Partnership, and prepare and deliver such financial information and reports required to be delivered to the Partners pursuant to and in compliance with the terms of this Agreement.
- (k) **Extension of Credit.** Cause or permit the Partnership to extend credit or to make any loans or become a surety, guarantor, endorser or accommodation endorser.
- (l) **Releases.** Release, compromise, assign or transfer any claims, rights or benefits of the Partnership.
- (m) **Confess Judgment.** Confess a judgment against the Partnership or submitting a claim of any of the Partnership to arbitration.
- (n) **Distributions.** Distribute any cash or property (such as marketable securities resulting from an initial public offering of a Spin-Off Corporation) of the Partnership to the Partners in accordance with the terms of this Agreement.

- (o) **Establish Reserves.** Establish any reserve in such amount as is determined appropriate by the General Partner.
- (p) **Tax Returns and Elections.** File on behalf of the Partnership any federal or state income tax or information returns, elections or choices of methods of reporting income or loss for federal or state income tax purposes.
- (q) **Admission of Partner.** Admit any person or entity as an additional Partner to the Partnership.
- (r) **General Partner or Affiliate Contracts.** Enter into, modify or rescind any contract with the General Partner or an Affiliate of the General Partner; declaring a default thereunder; instituting, settling or compromising a claim with respect thereto; waive any rights of the Partnership against the other party thereto; or consent to the assignment of any rights or the delegation of any duties by the other party thereto, it being agreed and understood that the General Partner, acting alone, shall have all such rights and powers of the Partnership with respect to such decisions.
- (s) **Co-Investments, Joint Ventures and Participations.** Negotiate and enter into co-investments, joint ventures and participations between the Partnership and other investors on certain investments made by the Partnership, which may include separate promote structures between the General Partner and the co-investor, joint venture or participant, which may directly benefit the General Partner or an Affiliate of the General Partner, separate from any compensation the General Partner may earn as General Partner of the Partnership.

#### 8.02 Compensation, Expenses and Partnership Loans.

- (a) **Compensation.** In consideration of its performance of services on behalf of the Partnership, the General Partner shall receive the following fees:
  - (i) **Asset Management Fee.** For its services related to continue to management of the Partnership, including in assisting the initial public offering or direct public offering of the Spin-Off Corporation Investments, the General Partner shall receive a carried interest of 20% of the distributions available in cash or marketable securities AFTER the Limited Partners have received their Capital Contributions (via cash or marketable securities) returned in prorata, as assets or Spin Off Corporations are sold (see Article VI). (“**Carried Interest**”)
  - (ii) **Management Fee.** For its services related to making investment decisions, managing the Partnership, and overseeing the Spin-Off Corporation Investments, the General Partner shall receive up to two percent (2%) of committed capital. (“**Management Fee**”)
- (b) **Expenses.**
  - (i) **Generally.** The Partnership will pay or reimburse the General Partner and its

affiliates for all organizational and syndication expenses including, without limitation legal and accounting expenses, printing costs, promotional expenses and filing fees. The Partnership will pay or reimburse the General Partner and its affiliates for, costs and expenses arising from the Partnership's operations including, without limitation, bookkeeping, tax, accounting, auditing, third party servicing and documented expenses paid or incurred in connection with services provided to us. ("**Partnership Expenses**")

#### 8.03 Rights of Limited Partners.

- (a) On 10 days' demand, made in a written record received by the Partnership, a Limited Partner may inspect and copy any information required to be maintained pursuant to Section 15901.1 of the Act during regular business hours in the Limited Partnership's designated office.
- (b) During regular business hours and at a reasonable location specified by the Limited Partnership, a Limited Partner may inspect and copy, at the expense of the Limited Partner, true and full information regarding the state of the activities and financial condition of the Limited Partnership and other information regarding the activities of the Limited Partnership in accordance to Section 15903.04 of the Act.

8.04 **Liability of the General Partner and Other Persons; Indemnity.** The Partnership does hereby agree to protect, defend, indemnify and hold the General Partner, its officers, directors, shareholders and authorized agents, members of the Investment Committee, and any Person serving at the request of the Partnership as a manager, managing member, employee or agent of any other entity (each a "Indemnified Party"), harmless from and against any liability, cost, loss, expense (including, without limitation, attorney's fees) or damage (or collectively, "Losses") suffered by such Indemnified Party by reason of anything that they, or any of them, may do or refrain from doing hereafter for and on behalf of the Partnership or otherwise in their designated capacities, and in furtherance of the interests of the Partnership; provided, however, that the Partnership shall not be required to indemnify such Indemnified Party from Losses as a result of the fraud, bad faith or willful misconduct of the General Partner or such Indemnified Party. Moreover, the General Partner shall not be liable to the Partnership or the Limited Partners because any taxing authorities disallow or adjust any deductions or credits in the Partnership's income tax returns.

The General Partner shall indemnify and hold harmless the Partnership from contract or other liability, claims, damages, taxes or losses and related expenses including attorneys' fees, to the extent that (i) such liability, claims, damages, taxes or losses and related expenses are not fully reimbursed by insurance and (ii) are incurred by reason of the General Partner's bad faith, fraud, misfeasance, misconduct, negligence or reckless disregard of its duties.

The Partnership shall pay or reimburse in advance of the final disposition of a proceeding any reasonable expenses incurred by any Indemnified Party who was, is or is threatened to be, made a named defendant or respondent in such a proceeding after the Partnership receives a written

affirmation by such Indemnified Party of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification as set forth herein, and a written undertaking by such Indemnified Party to repay the amount paid or reimbursed if it is ultimately determined that he has not met those requirements.

The termination of a proceeding by judgment, order, settlement, or conviction, or on a plea of *nolo contendere* or its equivalent is not of itself determinative that the Person did not meet the requirements set forth herein. A Person shall be deemed to have been found liable in respect of any claim, issue or matter only after the Person shall have been finally so adjudged by a court of competent jurisdiction and no opportunity for appeal then exists. The protection and indemnification provided by this Agreement shall not be deemed exclusive of any other rights to which such Person may be entitled, under any agreement, insurance policy or vote of the Partners, or otherwise.

**8.05 Limitations Upon Powers and Liability of the Limited Partners.** Except as otherwise set forth in this Agreement, the Limited Partners shall have no right, power or authority to act for or bind the Partnership. Except as otherwise set forth in this Agreement, the Limited Partners shall take no part in the conduct or control of the Partnership business, except that the Limited Partners shall have the right to vote upon the following matters:

- (a) The Partnership Agreement may be amended or modified from time to time only by a written instrument adopted by the General Partner and executed and agreed to by the Limited Partners holding a Majority of the Interests; provided, however, that: (i) an amendment or modification reducing a Limited Partner's allocations or share of distributions (other than to reflect changes otherwise provided by the Partnership Agreement) is effective only with that Limited Partner's consent; (ii) an amendment or modification reducing the required allocations or share of distributions or other measure for any consent or vote in the Partnership Agreement is effective only with the consent or vote specified in the Partnership Agreement prior to such amendment or modification; and (iii) an amendment that would modify the limited liability of a Limited Partner is effective only with that Limited Partner's consent. The Partnership Agreement may be amended by the General Partner without the consent of the Partners: (i) to correct any errors or omissions, to cure any ambiguity or to cure any provision that may be inconsistent with any other provision hereof or with any subscription document; or (ii) to delete, add or modify any provision required to be so deleted, added or modified by the staff of the Department of Corporations of California or similar official, when the deletion, addition or modification is for the benefit or protection of any of the General Partner and/or Limited Partners.
- (b) The Limited Partners holding 75% of the Interests can vote to dissolve the Partnership. However, the Partnership can be dissolved as a result of other actions that do not require the vote of the Limited Partners, as set forth in the Partnership Agreement.

- (c) **Removal for Cause.** The Limited Partners, by an affirmative vote of more than 25% of the Investor Interests entitled to vote, shall have the right to remove the General Partner at any time solely “for cause.” For purposes of this Limited Partnership Agreement, removal of the General Partner “for cause” shall mean removal due to the:
- (i) conviction or judgment for gross negligence or fraud of the General Partner,
  - (ii) conviction or judgment for willful misconduct or willful breach of this Limited Partnership Agreement by the General Partner,
  - (iii) bankruptcy or insolvency of the General Partner, or
  - (iv) a conviction of a financial or corporate felony by Jay Goth.

If the General Partner or an Affiliate owns any Investor Interests, the General Partner or the Affiliate, as the case may be, shall not participate in any vote to remove the General Partner.

- (d) Any vacancy caused by the removal of any General Partner shall be filled by the affirmative vote of the Limited Partners holding a majority of the Interests at a special meeting called for that purpose.
- (e) Upon the Partnership obtaining Capital Contributions of \$50,000,000.00, the General Partner shall not admit any person as a Limited Partner, other than as a substituted Limited Partner, without the consent of the General Partner and the Limited Partners holding all of the Interests.
- (f) If the General Partner shall fail or refuse to serve, the “tax matters partner” shall be a Limited Partner who is designated as such by the Limited Partners holding a majority of the Interests.
- (g) The Limited Partners holding 75% of the Interests can vote to dissolve the Partnership. However, the Partnership can be dissolved as a result of other actions that do not require the vote of the Limited Partners, as set forth in Section 11.01 herein.

In any circumstances requiring the approval or consent of the Limited Partners as specified in this Agreement, such approval or consent shall, except as expressly provided to the contrary in this Agreement, be given or withheld in the sole and absolute discretion of the Limited Partners and conveyed in writing to the General Partner not later than twenty (20) days after such approval or consent was requested by the General Partner. The General Partner may require a response within a shorter time, but not less than five (5) Business Days. A failure to respond in any such time period shall constitute a vote that is consistent with the General Partner’s recommendation with respect to the proposal. If the General Partner receives the necessary approval or consent of the Limited Partners to such action, the General Partner shall be authorized and empowered to implement such action without further authorization by the Limited Partners.

8.06 Investment Committee.

- (a) **Members.** The Investment Committee shall initially consist of the General Partner and up to seven (7) Limited Partners that have invested at least \$1,000,000. The General Partner may, in its sole and absolute discretion, modify the composition of the Investment Committee, and shall promptly notify the Limited Partners of any such changes to the members of the Investment Committee. Neither the Investment Committee nor any of its members shall
  - (i) have any authority to direct the General Partner to take or refrain from taking any action except as expressly set forth herein,
  - (ii) have any authority to act for or on behalf of the General Partner or the Partnership, or
  - (iii) take part in the management of the Partnership.
- (b) **Authority.** The Investment Committee shall have the following authority.
  - (i) Providing advice on such other matters as the General Partner may submit to the Investment Committee from time to time.
- (c) **Resignation; Termination.** An Investment Committee member may resign from the Investment Committee for any reason. Such resignation shall be effective, at the discretion of the resigning member, upon receipt by the Partnership of a letter of resignation or any time up to thirty (30) days following the receipt of such letter. Any member of the Investment Committee may be removed by the General Partner in its sole and absolute discretion.
- (d) **Meetings.** The Investment Committee shall meet as frequently as may be deemed necessary in order to attend to and oversee the business affairs of the Partnership. Meetings of the Investment Committee shall be scheduled by the General Partner. In addition, any two members of the Investment Committee may call a meeting. A majority in members shall constitute a quorum of the Investment Committee. Such meetings shall be held at the Partnership's principal business office, unless otherwise specified by the General Partner. Members of the Investment Committee may participate in such meetings by conference telephone or similar communications equipment by means of which all persons participating in such meeting can hear each other. Unless otherwise specified herein, all determinations by the Investment Committee shall require the approval of a majority of the members in office, which majority approval may be made by vote at a meeting or by written consent.
- (e) **Reimbursement.** Members of the Investment Committee shall be entitled to reimbursement from the Partnership for their reasonable out-of-pocket expenses in connection with the performance of their duties as members of the Investment

Committee, but shall not be entitled to any fees, remuneration or other reimbursements.

**ARTICLE IX**  
**ACCOUNTING**

9.01 **Books and Records.** The Partnership shall maintain true and accurate books and financial records in such a manner as to clearly separate all income and expenses. For financial and income tax purposes, the Partnership shall elect to use those accounting principles which the General Partner determines will be most beneficial to the Partnership and the Partners.

9.02 **Location and Availability of Records.** All books and records of the Partnership shall be kept and maintained at the principal office of the Partnership or such other place as designated by the General Partner, and shall during regular business hours, be available for inspection and duplication by the Partners and their designated representatives, including attorneys, auditors and accountants.

9.03 **Annual Statements and Tax Returns.** Within ninety (90) days after the close of each fiscal year, the General Partner shall cause to be prepared, at the expense of the Partnership, financial statements by the Partnership accountants, which shall be audited by an independent certified public accountant, as selected by the General Partner in its sole discretion. Such financial statements shall include a balance sheet of the Partnership as of the last day of such fiscal year, an income or loss statement of the Partnership for such fiscal year, a statement of each Partner's Capital Account as of the last day of such fiscal year, and all other information customarily shown on financial statements. Further, the General Partner, at the expense of the Partnership, shall cause to be prepared and distributed to the Partners, all required federal and state partnership tax returns, including information returns reflecting each Partner's distributive Share of tax items.

9.04 **Quarterly Reports.** As soon as practicable after the end of each of the first three quarters of each fiscal year, but in no event later than forty-five (45) days following the end of each such quarter, the General Partner shall prepare and email, mail or make available on its secure website to each Limited Partner (i) the Partnership's unaudited financial statements as of the end of such fiscal quarter and for the portion of the fiscal year then ended, (ii) a statement of the assets of the Partnership, including the cost of all assets, and (iii) a report reviewing the Partnership's activities and business strategies for such quarter and an update of such Limited Partner's Capital Account. The General Partner shall cause the Partnership's quarterly reports to be prepared in accordance with GAAP.

9.05 **Annual Valuation.** On an annual basis to be determined in the discretion of the General Partner, the General Partner shall provide the Limited Partners with a valuation of all assets held by the Partnership prepared either by an independent, third-party valuation firm to be hired at the sole discretion of the General Partner or another methodology as deemed appropriate by the General Partner.

9.06 **Fiscal Year.** The fiscal year of the Partnership shall be the calendar year unless otherwise determined by the General Partner.

9.07 **Bank Accounts.** All receipts, funds and income of the Partnership shall be deposited in an account with such bank or banks selected by the General Partner. Disbursements from such account may be made on the signature of the General Partner.

## **ARTICLE X** **TRANSFERS OF PARTNERSHIP INTERESTS**

10.01 **General Restriction.** Except as permitted in Section 10.06 below, no Partner may transfer, sell, convey, assign, pledge, hypothecate or encumber in any manner his, her or its respective Partnership Interest without the prior written approval of the General Partner, which approval may be withheld in the General Partner's sole and absolute discretion. No Partner shall make any disposition of all or any part of their respective Partnership Interest which will result in the violation by such Partner or by the Partnership of any federal or applicable state securities laws. In the discretion of the General Partner, no Partnership Interest may be transferred unless an opinion of counsel is given, satisfactory to the General Partner and its counsel, that registration is not required. Any such transfer must otherwise be in compliance with the terms and provisions of this Article X.

10.02 **Admission of Substituted Partner.** If a Partner transfers all or any portion of his, her or its Partnership Interest as permitted by Section 10.01 above and such transferee is designated by the transferor Partner as a substituted Partner, such transferee shall be entitled to be admitted to the Partnership as a "***Substituted Partner***", and this Agreement shall be amended to reflect such admission, provided that the following conditions are complied with:

- (a) The General Partner shall approve the form and content of the instrument of assignment;
- (b) The transferor Partner and his, her or its Substituted Partner execute and acknowledge such other instrument or instruments as the General Partner deems necessary to effectuate such admission;
- (c) The Substituted Partner in writing accepts and adopts all of the terms and conditions of this Agreement, as the same may have been amended and is a resident of California; and
- (d) Such transferor Partner or the Substituted Partner pays, (i) a fee not to exceed Fifteen Hundred Dollars (\$1,500.00) to the Partnership for administrative costs associated with the sale, assignment or transfer of such Partnership Interest, and (ii) such other expenses, as the General Partner may determine is necessary to effectuate such admission, including, without limitation, legal fees and costs.
- (e) In the event of the death, disability, incapacity or adjudicated incompetency of a Limited Partner or if a Limited Partner becomes bankrupt, his, her or its rights as a Limited Partner to share in the Partnership's distributions and allocations and to assign his, her or its interest or cause the substitution of a substituted Limited Partner will transfer to his, her or its personal representative, administrator, guardian, conservator, trustee in bankruptcy or other legal representative ("Successor"). In the event Interests are held in joint tenancy, such Interests will

pass to the surviving joint tenant. The Successor will be liable for all the obligations as a Limited Partner and may become a substitute Limited Partner with respect to the Interests.

An assignee of a Partnership Interest, or portion thereof, who does not become a Substituted Partner shall have no right to require any information or account of the Partnership's transactions, to inspect the Partnership books, or to vote on any of the matters as to which a Partner would be entitled to vote under this Agreement.

10.03 **Partition; Bankruptcy; Dissolution**. No Partner shall have the right to make application or proceeding for a dissolution and accounting unless such dissolution arises by reason of the events described in Section 11.01 below, and, upon any breach of the provisions of this Section by any Partner, the other Partners (in addition to all rights and remedies afforded by law or equity) shall be entitled to a decree or order restraining or enjoining such application, action or proceeding. No bankruptcy or insolvency of a Limited Partner shall cause a dissolution of the Partnership.

10.04 **Tax Elections**. In the event of the transfer of an interest in the Partnership, the death of a Partner, or the distribution of any property of the Partnership to a Partner, the Partnership shall, at the request of the party acquiring such interest or property, elect pursuant to Section 734 of the Code, and any like state provision or any corresponding provision of succeeding law, to adjust the basis of the Partnership property. Each Partner agrees to provide the Partnership with all information necessary to give effect to such election. Subject to the provisions of Regulation Section 1.704-1(b), adjustments to the adjusted tax basis of Partnership property under Sections 743 and 732(d) of the Code shall not be reflected in the Capital Account of the transferee Partner or on the books of the Partnership, and subsequent Capital Account adjustments for distributions, depreciation, amortization, and gain or loss with respect to such property shall disregard the effect of such basis adjustment.

10.05 **Tax Controversies**. For the purposes of receiving notice from the Internal Revenue Service on behalf of the Partnership, keeping each Partner informed of all administrative and judicial proceedings relating to tax matters at the Partnership level, and for all other relevant purposes concerning the Partnership's tax matters, the General Partner is hereby designated the "***Tax Matters Partner***" of the Partnership with all of the rights, duties, powers and obligations provided for in Section 6221 of the Code.

10.06 **Permitted Transfers**. Notwithstanding the provision of Section 10.01 above to the contrary, the following transfers by the Partners shall not require the prior consent of the Limited Partners:

- (a) With the written consent of the General Partner, any Partner who is a person may transfer his or her Partnership Interest or any portion thereof to a trust established for the exclusive benefit of such Partner, his or her spouse and/or lineal descendants, provided such Partner acting alone may bind the trust;
- (b) Any Partner who is a person may transfer his or her Partnership Interest to his or her spouse and/or lineal descendants by will upon the death of such Partner;
- (c) Any Successor to a Limited Partner pursuant to Section 10.02(e); and

- (d) With the written consent of the General Partner, any Partner may transfer such Partner's Partnership Interest to any other Partner.
- (e) Subject to transfer restrictions imposed on the Interests, transfers shall be permitted without a transfer fee for Partners holding Interests through a qualified plan (i.e. any pension, profit sharing or stock bonus plan that is qualified under Code Section 401(a)), tax exempt entities, including individual retirement accounts (i.e. IRA and Roth IRA).

Any such permitted transferee shall receive and hold such Partnership Interest or portion thereof subject to the terms of this Agreement and to the obligations hereunder of the transferor Partner and there shall be no further transfers of such Partnership Interest or portion thereof except to a person or entity to whom such Partnership Interest could have been transferred in accordance with the provisions of this Article X. No transfer of a Partnership Interest shall relieve the liability of the transferor Partner of his, her or its obligations under this Agreement without the prior written consent of all of the Partners.

## **ARTICLE XI** **DISSOLUTION OF THE PARTNERSHIP**

11.01 **Events of Dissolution**. The Partnership shall be dissolved upon the first to occur of the following events ("***Dissolution Event***"):

- (a) the happening of any other event that makes it unlawful, impossible or impractical to carry on the business of the Partnership;
- (b) the vote of the Limited Partners holding an aggregate Percentage Interest of more than 75%; or
- (c) the General Partner ceases to be a general partner of the Partnership and a Majority of Interest of the Limited Partners elect not to continue the business of the Partnership.

11.02 **Termination**. Upon dissolution of the Partnership by reason of the occurrence of a Dissolution Event as described in Section 11.01 above or by operation of law (except for a technical dissolution pursuant to Section 708 of the Code), the Partners shall proceed to the winding up of the affairs of the Partnership. During such winding up process, the Net Profits, Net Losses and cash flow shall continue to be shared by the Partners in accordance with this Agreement.

11.03 **Distribution**. Upon the liquidation of the Partnership, other than the termination of the Partnership under Section 708(b)(1)(B) of the Code, the Liquidator shall proceed to the winding up of the affairs of the Partnership in accordance with the provisions of this Article XI.

Notwithstanding the provisions of Article VII above, the proceeds from the liquidation of the Partnership shall be applied and distributed in the following order of priority:

- (a) First, in accordance with Section 15905.3 of the Act and then, to the payment of debts and liabilities of the Partnership, and the expenses of liquidation;
- (b) Next, to the setting up of any reserves which the General Partner deems reasonably necessary for any contingent or unforeseen liabilities or obligations of the Partnership;
- (c) Next, in accordance with Section 7.2 above;
- (d) Thereafter, to the extent the Capital Accounts of the Partners shall then be more than zero (after taking into account the Capital Account adjustments required by this Agreement for the taxable year of liquidation), any such proceeds shall be distributed to such Partners each in the ratio which the positive balance in such Partner's Capital Account bears to the aggregate positive balances of all such Partners until and to the extent required to cause the balance of each such Partner's Capital Account to equal zero.

## **ARTICLE XII** **REPRESENTATIONS AND WARRANTIES**

As of the date hereof, each of the Partners hereby makes each of the following representations and warranties applicable to such Partner, and such warranties and representations shall survive the execution of this Agreement:

- (a) Such Limited Partner acknowledges the receipt of written information concerning the Partnership, has thoroughly read the information and understands the nature of the risk involved in the proposed investment; such Limited Partner has been advised that a representative of the General Partner is available to answer questions about the acquisition of such Limited Partner's Interest; and such Limited Partner has asked any questions of the General Partner which such Partner desires to ask and has received answers from the General Partner with respect to all such questions.
- (b) Such Limited Partner is experienced and knowledgeable in business and financial matters and in real estate investments in general and with respect to investments similar to the investment in this Partnership and such Partner is capable of evaluating the merits and risks of investing in this Partnership, or such Limited Partner has obtained qualified and experienced independent advice with respect to evaluating the merits and risks of such Limited Partner's investments in this Partnership and in such Interest which such Limited Partner has relied upon in

making such Limited Partner's investment decision, and such Limited Partner can afford to bear the economic risk of this investment.

- (c) Such Limited Partner recognizes that the Partnership is being organized through this Agreement and has no history of operations or earnings and is of a speculative nature.
- (d) Such Limited Partner is making such investment for such Limited Partner's own account and not for the account of others and is not entering into this Agreement with the present intention of selling, transferring or subdividing all or any portion of the Partnership Interest acquired, and presently intends to hold the same until the Partnership is terminated.
- (e) Such Limited Partner is financially able to comply with such Limited Partner's obligations hereunder; and such Limited Partner has adequate means of providing for such Limited Partner's current financial needs and possible personal contingencies, exclusive of such Limited Partner's investment in the Partnership;
- (f) Such Limited Partner recognizes that the General Partner and Affiliates of the General Partner may be or engage in businesses which are competitive with that of the Partnership, and such Limited Partner agrees to such activities even though there are conflicts of interest inherent therein.

Such Limited Partner agrees to notify the General Partner immediately if any representation and warranty should be or become untrue.

### **ARTICLE XIII** **MISCELLANEOUS**

13.01 **Notices.** All written notices and demands of any kind which any party may be required or may desire to serve on the other in connection with this Agreement may be served by (a) personal service, (b) registered or certified mail with return receipt requested (deposited in the United States mail with postage thereon fully prepaid), (c) a reliable overnight courier such as Federal Express, or (d) facsimile and addressed to the party to be served as follows:

- (a) If to the Partnership, to the Partnership at the address set forth in Article II hereof;
- (b) If to the General Partner, to the address set forth for the General Partner in **Exhibit "A"** hereof; and
- (c) If to a Limited Partner, to the address set forth for such Limited Partner in **Exhibit "A"** attached hereto.

Such notice or demand shall be deemed received upon the earlier of (A) if personally delivered or via overnight courier, the date of delivery to the address of the person to receive such notice; (B) if mailed, upon the date of receipt as disclosed on the return receipt; or (C) if given by facsimile, when sent, provided that such notice or demand is confirmed within forty-eight (48) hours by letter served in accordance with subsection (a) through (c) of this Section above. Such addresses may be changed by giving written notice to the other parties in the manner set forth in

this Section. Service of any such notice or demand so made by mail shall be deemed complete on the date of delivery as shown by the addressee's registry or certification receipt.

**13.02 Power of Attorney.** Each of the Limited Partners irrevocably constitutes and appoints the General Partner as his, her or its true and lawful attorney-in-fact, with full power of substitution and with full power and authority for him, her or it and in his, her or its name, place and stead, to execute, acknowledge, publish and file:

- (a) this Partnership Agreement, the Articles of Organization of the Partnership, and any amendments hereto or thereto or cancellations thereof required under the laws of the State of California;
- (b) Any other certificates, instruments and documents as may be required by, or may be appropriate under, the laws of any state or other jurisdiction in which the Partnership is doing or intends to do business; and
- (c) Any documents which may be required to effect the continuation of the Partnership, the admission of an additional or substituted Limited Partner, or the dissolution and termination of the Partnership.

The power of attorney granted above is a special power of attorney coupled with an interest, is irrevocable, and shall survive the death of a Limited Partner or the delivery of an assignment of Interests by a Limited Partner; provided, that where the assignee thereof has been approved by the General Partner for admission to the Partnership as a substituted Limited Partner, such power of attorney shall survive the delivery of such assignment for the sole purpose of enabling the General Partner to execute, acknowledge, file and record any instrument necessary to effect such substitution.

**13.03 Section Headings.** The Article and Section headings used in this Agreement are for reference purposes only, and should not be used in construing this Agreement.

**13.04 Successors and Assigns.** This Agreement shall inure to the benefit of the parties hereto and their respective heirs, executors, administrators, personal representatives, successors and assigns.

**13.05 Gender and Number.** As used in this Agreement, the masculine, feminine and neuter gender shall each include the neuter, feminine and masculine, as applicable, and singular number shall include the plural, and vice versa.

**13.06 Entire Agreement.** This Agreement contains the entire understanding between the parties hereto, and supersedes any prior or contemporaneous understanding or agreements between them respecting the within subject matter.

**13.07 Time.** Time is of the essence of this Agreement.

**13.08 Governing Law.** The provisions of this Agreement shall be construed and enforced in accordance with the law of the State of California.

13.09 **Attorneys' Fees.** Should any litigation be commenced between any parties hereto or their representatives concerning any provision of this Agreement or the rights and duties of any person or entity in relation thereto, the party or parties prevailing in such litigation shall be entitled, in addition to such other relief as may be granted, to a reasonable sum as and for his, her, its or their attorneys' fees in such litigation.

13.10 **Cumulative Remedies.** No right or remedy herein contained shall be exclusive of any other right or remedy a Partner may have as herein provided or as may be available at law or in equity. Each Partner hereto shall, in addition to all other rights provided herein or as may be provided by law, be entitled to all legal and equitable remedies including those of damages for breach, specific performance and injunction, to enforce his, her or its rights hereunder.

13.11 **Severability.** If any provision of this Agreement or application to any party or circumstances shall be determined by any court of competent jurisdiction to be invalid and unenforceable to any extent, the remainder of this Agreement or the application of such provision to such person or circumstances, other than as to which it is so determined invalid or unenforceable shall not be affected thereby, and each provision shall be valid and shall be enforced to the fullest extent permitted by law.

13.12 **General Partner's Discretion.** In every instance in this Agreement where the General Partner is to make a determination, any such determination shall be in the sole and absolute discretion of the General Partner without regard to any standard of reasonableness or good faith implied.

13.13 **Counterparts.** This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which when taken together shall constitute one and the same document.

13.14 **References to this Agreement.** Numbered or lettered articles, sections and subsections herein contained refer to articles, sections and subsections of this Agreement unless otherwise expressly stated. The words "herein", "hereof", "hereunder" and "hereby" and other similar references shall be construed to mean and include this Agreement and all amendments thereof and supplements hereto unless the context shall clearly indicate or require otherwise. The word "including" means "including, without limitation."

IN WITNESS WHEREOF, the General Partners have executed this Agreement as of the date first written above and each Limited Partner shall be deemed to execute this Agreement upon execution of a Subscription Agreement.

“General Partner”

Forentis Partners, LLC  
a California limited liability company

By: Jay Goth, Managing Member

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## GLOSSARY

Unless the context otherwise clearly requires, the defined terms used in this Agreement shall have the meanings specified below:

“*Act*” means the California Uniform Limited Partnership Act of 2008, as amended from time to time.

“*Adjusted Capital Account*” is defined in Section 6.07(a) of this Agreement.

“*Affiliate*” means (i) any person which, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with the Person in question, (ii) any officer, director, trustee, employee or beneficial holder of an interest of ten percent (10%) or more in any person referred to in clause (i) above. For purposes of this definition, the term “control” means the ownership of ten percent (10%) or more of the beneficial interest or the voting power of the appropriate person.

“*Agreement*” means this Agreement of Limited Partnership of Forentis Fund, L.P., a California limited partnership, and includes and incorporates each exhibit, if any, attached hereto.

“*Capital Account*” means with respect to each Partner, an account established on the books of the Partnership for each Partner which shall be credited with: (i) the amount of money contributed by such Partner, (ii) the fair market value of any property contributed by such Partner, and (iii) Net Profits properly allocable to such Partner, including items of income and gain properly allocable to such Partner with respect to any property contributed by such Partner that has a book value different from its adjusted basis at the time of contribution. Each Partner’s Capital Account shall be charged with (a) the amount of Cash Flow distributed to such Partner, (b) the fair market value of any property distributed in kind to such Partner, and (c) the amount of Net Losses allocated to such Partner, including items of loss or deduction properly allocable to such Partner with respect to any property contributed by such Partner that has a book value different from its adjusted basis at the time of contribution to the Partnership. Notwithstanding anything to the contrary contained herein, the Capital Accounts of the Partners shall at all times be maintained in accordance with the requirements of the Code and the Regulations promulgated thereunder, including, without limitation, Regulation Section 1.704(b).

“*Capital Contribution*” with respect to each Partner is set forth in Exhibit “A” to this Agreement.

“*Capital Transaction*” means the initial public offering or sale of a Spin-Off Corporation or other Partnership Asset.

“*Cash Flow*” means the cash proceeds realized by the Partnership plus cash interest payments received with respect to such proceeds, decreased by the sum of: (i) the amount of such proceeds

applied by the Partnership to pay debts and liabilities of the Partnership; and (ii) any reserve established by the General Partner for anticipated cash disbursements that will have to be made before additional cash receipts from third parties will provide the funds thereof.

“**Limited Partners**” means those Limited Partners receiving Interests.

“**Code**” means the Internal Revenue Code of 1986, as amended.

“**Dissolution Event**” is defined in Section 11.01 of this Agreement.

“**Effective Date**” means the date first set forth in this Agreement.

“**Escrow**” means that certain escrow created pursuant to that certain *Offering Circular* date May 1, 2016, as may be amended from time to time, to hold Capital Contributions made by potential investors of the Partnership.

“**Fiscal Year**” means (i) the period commencing on the effective date of this Agreement and ending on December 31, 2016, (ii) any subsequent twelve (12) month period commencing on January 1 and ending on December 31, or (iii) any portion of the period described in clause (ii) for which the Partnership is required to allocate Profits, Losses and other items of Partnership income, gain, loss or deduction pursuant to Article VI of this Agreement.

“**General Partner**” means Forentis Partners, LLC, a California Limited Liability Company.

“**Interest Rate**” means a sum equal to seven percent (7%) per annum, determined on the basis of a year of 365 or 366 days, as the case may be for the actual number of days in the year for which the interest is being determined, cumulative but not compounded.

“**Interests**” means units of Partnership Interest, with each Interest representing an investment of \$1,000.00 in the Partnership, or such lesser investment as may be approved by the General Partner in its sole and absolute discretion. The number of Interests of each Partner shall be set forth opposite the name of the Partner in Exhibit “A” to this Agreement. Notwithstanding anything to the contrary herein, although a Limited Partner’s distributions pursuant to Article VII shall be based on the number of Interests held by such Limited Partner, a Partner’s distributions pursuant to Article VII, governing Preferred Return distributions, shall be based on the actual Capital Contribution of such Partner and not the number of Interests held by such Partner.

“**Investment Committee**” has the meaning set forth in Section 8.06 of this Agreement.

“**JV Partners**” shall mean those entities that the Portfolio Companies enter into a joint venture agreement for the purposes of advanced diagnostics, treatments and drug development relating to a variety of medical conditions including, but not limited to, addiction, diseases and conditions related to the central nervous system, lung cancer, renal cancer, and inflammatory diseases such as rheumatoid arthritis. JV Partners may include universities, hospitals, research centers, and pharmaceutical companies.

“**Last Closing**” means the last day on which subscribers are admitted as Limited Partners.

“**Limited Partners**” means those Persons identified as “Limited Partners” in **Exhibit “A”** to this Agreement, as may be amended from time to time pursuant to the terms of this Agreement. “**Limited Partner**” means any one of the Limited Partners as may be applicable.

“**Liquidator**” means the General Partner at the time of the dissolution of the Partnership; provided, however, if there is no General Partner at the dissolution of the Partnership and a Trustee is appointed, then the Trustee.

“**Majority in Interest of the Limited Partners**” means the Limited Partners with an aggregate Percentage Interest, at such time the vote is being made, of more than fifty percent (50%).

“**Net Profits**” and “**Net Losses**” mean with respect to each fiscal year or other period, an amount equal to the Partnership’s taxable income or loss, as the case may be relative to such fiscal year or period, determined in accordance with Section 703(a) of the Code. For this purpose, all items of income, gain, loss and deduction required to be stated separately pursuant to Section 703(a)(1) of the Code should be included in taxable income or loss.

“**Operating Cash Flow**” means Cash Flow from operation of Partnership Assets, and does not include any Cash Flow from Capital Transactions.

“**Partners**” means the Limited Partners and General Partner, collectively. “**Partner**” means any one of the Partners as may be applicable.

“**Partnership**” means the partnership created pursuant to this Agreement.

“**Partnership Interest**” means in respect to any Partner all of such Partner’s right, title and interest in and to the Net Profits, Net Losses and Cash Flow of the Partnership or the capital thereof or any interest therein.

“**Percentage Interest**” of each Partner shall be the percentage that results from multiplying one hundred (100) by the quotient of the number of Interests held by such Partner divided by the total number of Interests held by all of the Partners of the Partnership. The Percentage Interest of each Partner shall be set forth opposite the name of the Partner in **Exhibit “A”** to this Agreement, as such percentage may be adjusted from time to time pursuant to the terms of the Agreement.

“**Person**” is defined in Section 15901.02(y) of the Act.

“**Portfolio Company(ies)**” shall mean Blueprint Bio (“**Blueprint**”) and Emerald Logic (“**Emerald**”) or derivatives thereof.

“**Regulation**” means the regulations currently in force as final or temporary that have been issued by the U.S. Department of Treasury pursuant to its authority under the Code.

“**Restoration Amount**” is defined in Section 6.04 of this Agreement.

“*Share*” means, with respect to any Partner, a percentage equal to such Partner’s Percentage Interest divided by the aggregate amount of Percentage Interests of all Partners in the group in question.

“*Spin-Off Corporations*” shall mean those corporations resulting from the joint ventures between a Portfolio Company and JV Partner.

“*Subscription Agreement*” means the agreement by which a Limited Partner agrees to purchase Interests and to become a Limited Partner subject to the terms of this Agreement.

“*Substituted Partner*” is defined in Section 10.02 of this Agreement.

“*Tax Matters Partner*” is defined in Section 10.05 of this Agreement.

“*Temporary Investments*” means Capital Contributions not otherwise invested, which have been deposited for the benefit of the Partnership in one or more accounts maintained in the name of the Partnership or any Affiliates in such financial institutions as the General Partner shall determine, short-term liquid securities, or other cash-equivalent assets.

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