EXCEPT AS INDICATED HEREIN, NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS MEMORANDUM IN CONNECTION WITH THE OFFER CONTAINED HEREIN AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON. THE GENERAL PARTNER WILL MAKE AVAILABLE TO EACH INVESTOR OR HIS REPRESENTATIVE DURING THIS OFFERING AND PRIOR TO THE SALE OF UNITS THE OPPORTUNITY TO ASK QUESTIONS OF AND RECEIVE ANSWERS FROM THE GENERAL PARTNER CONCERNING ANY ASPECT OF THE INVESTMENT AND TO OBTAIN ANY ADDITIONAL INFORMATION, TO THE EXTENT THE GENERAL PARTNER POSSESSES SUCH INFORMATION OR CAN ACQUIRE IT WITHOUT UNREASONABLE EFFORT OR EXPENSE, NECESSARY TO SUPPLEMENT OR VERIFY THE ACCURACY OF THE INFORMATION CONTAINED IN THIS MEMORANDUM. THIS MEMORANDUM IS INTENDED TO FURNISH INFORMATION TO PROSPECTIVE INVESTORS WITH RESPECT TO THE INVESTMENT DESCRIBED AND CONTAINS A SUMMARY OF DOCUMENTS REFERRED TO HEREIN. IN EACH INSTANCE, THE INVESTOR SHOULD REFER TO THE DOCUMENTS THEMSELVES FOR THE EXACT TERMS AND PROVISIONS THEREOF; COPIES NOT OTHERWISE ATTACHED HERETO MAY BE OBTAINED FROM THE GENERAL PARTNER. EACH STATEMENT HEREIN IS QUALIFIED IN ITS ENTIRETY BY THE TERMS OF THE ACTUAL DOCUMENT INVOLVED. ALL OF THE INFORMATION CONTAINED IN THIS MEMORANDUM WITH RESPECT TO THE TECHNOLOGY AND LESCARDEN LTD. HAS BEEN SUPPLIED BY LESCARDEN LTD. HOWEVER, THE GENERAL PARTNER BELIEVES THESE SOURCES TO BE RELIABLE, AND SUCH INFORMATION IS BELIEVED BY THE GENERAL PARTNER TO BE ACCURATE AND COMPLETE. HOWEVER, NEITHER THE DELIVERY OF THIS MEMORANDUM NOR ANY SALES OF THE UNITS DESCRIBED HEREIN SHALL, UNDER ANY CIRCUMSTANCES, CREATES ANY IMPLICATION THAT THE INFORMATION CONTAINED HEREIN IS TRUE AND ACCURATE AS OF ANY TIME SUBSEQUENT TO THE DATE HEREOF.

INVESTORS SHOULD NOT CONSTRUE THE CONTENTS OF THIS MEMORANDUM OR ANY COMMUNICATION, WHETHER WRITTEN OR ORAL, FROM THE PARTNERSHIP OR ITS GENERAL PARTNER, EMPLOYEES OR AGENTS, AS PERSONAL LEGAL, TAX, ACCOUNTING OR OTHER PROFESSIONAL ADVICE. EACH INVESTOR SHOULD CONSULT HIS OWN COUNSEL, ACCOUNTANTS AND OTHER PROFESSIONAL ADVISERS AS TO LEGAL, TAX, ACCOUNTING AND RELATED MATTERS CONCERNING HIS INVESTMENT.

THE INVESTMENT DESCRIBED HEREIN INVOLVES A HIGH DEGREE OF RISK, AND ONLY THOSE PERSONS WHO ARE ABLE TO BEAR THE FINANCIAL RISKS REFERRED TO IN THIS MEMORANDUM SHOULD CONSIDER PARTICIPATION IN THE UNITS. (SEE "PRINCIPAL RISK FACTORS").

THIS MEMORANDUM HAS BEEN PREPARED SOLELY FOR THE BENEFIT OF OFFEREES INTERESTED IN THE PROPOSED PRIVATE PLACEMENT OF THE UNITS AND CONSTITUTES AN OFFER ONLY IF THE NAME OF AN OFFEREE APPEARS IN THE APPROPRIATE SPACE PROVIDED ON THE FIRST PAGE OF THESE FRONT PAGES. ANY DISTRIBUTION OF THIS MEMORANDUM TO ANY PERSON OTHER THAN THE OFFEREE NAMED (OR TO THOSE INDIVIDUALS RETAINED TO ADVISE OFFEREE WITH RESPECT THERETO) IS UNAUTHORIZED, AND ANY REPRODUCTION OF THS MEMORANDUM IN WHOLE OR IN PART, OR THE DIVULGENCE OF ANY OF IT CONTENTS, WITHOUT THE PRIOR WRITTEN CONSENT OF THE GENERAL PARTNER IS PROHIBITED.

THIS OFFER CAN BE WITHDRAWN AT ANY TIME BEFORE CLOSING AND IS SPECIFICALLY MADE SUBJECT TO THE CONDITIONS DESCRIBED IN THIS MEMORANDUM. IN CONNECTION WITH THE OFFERING AND SALE OF THE UNITS, THE GENERAL PARTNER RESERVES THE RIGHT TO REJECT ANY SUBSCRIPTION IN WHOLE OR IN PART.

WHETHER WRITTEN OR ORAL, FROM THE PARTNERSHIP OR ITS GENERAL PARTNER, EMPLOYEES

NUMEROUS QUESTIONS EXIST AS TO THE TAX TREATMENT OF THE PARTNERSHIP AND ITS PROPOSED OPERATIONS. THERE IS SUBSTANTIAL RISK THAT THE INTERNAL REVENUE SERVICE MAY SEEK TO DISALLOW PART OR ALL OF CERTAIN DEDUCTIONS ANTICIPATED TO BE TAKEN BY THE PARTNERSHIP. MOREOVER, CERTAIN RECENTLY ENACTED LEGISLATION AND ADMINISTRATIVE ACTION BY THE INTERNAL REVENUE SERVICE HAS BEEN DESIGNED TO ELIMINATE LEVERAGED DEDUCTIONS TO INVESTORS IN PARTNERSHIPS UNDER CERTAIN CIRCUMSTANCES (SEE "TAX ASPECTS" FOR A DETAILED DISCUSSION).

THE ESTIMATES AND PROJECTIONS CONTAINED IN THIS MEMORANDUM ARE PREPARED ON THE BASIS OF ASSUMPTIONS AND HYPOTHESES WHICH ARE SUBJECT TO SUBSTANTIAL RISKS AND CONTINGENCIES COVERING AN EXTENDED PERIOD OF TIME. THERE IS NO ASSURANCE GIVEN OF (1) ANY OF THE POTENTIAL BENEFITS DESCRIBED IN THIS MEMORANDUM PROVING TO BE AVAILABLE, AND (2) THE ACTUAL AMOUNT OF ANY RETURN WHICH MAY RESULT FROM AN INVESTMENT. SUCH RETURN MAY VARY FROM THE ESTIMATES CONTAINED HEREIN AND WILL BE AFFECTED BY EACH INVESTOR'S TAX AND FINANCIAL POSITIONS.

IN THE EVENT THE OFFEREE ELECTS NOT TO MAKE A PURCHASE OFFER OR SAID OFFEREE'S PURCHASE OFFER IS REJECTED IN WHOLE BY THE GENERAL PARTNER, SAID OFFEREE, BY ACCEPTING DELIVERY OF THIS MEMORANDUM, AGREES TO RETURN THIS MEMORANDUM AND ALL RELATED DOCUMENTS TO THE GENERAL PARTNER.

CERTAIN REQUIREMENTS OF THE CALIFORNIA COMMISSIONER OF CORPORATIONS ARE NOT BEING MET IN THIS OFFERING BECAUSE OF THE REQUIRED SUITABILITY STANDARDS AND FINANCIAL SOPHISTICATION OF THE OFFEREES (AND THEIR REPRESENTATIVES, IF ANY). ACCORDINGLY, CALIFORNIA INVESTORS MUST EXECUTE AN APPROPRIATE ACKNOWLEDGEMENT STATEMENT. THE COMMISSIONER OF CORPORATIONS OF THE STATE OF CALIFORNIA DOES NOT RECOMMEND OR ENDORSE THE PURCHASE OF THESE SECURITIES.

SALES OF UNITS TO RESIDENTS OF FLORIDA ARE SUBJECT TO THE FOLLOWING RESTRICTIONS:

(1) EACH FLORIDA RESIDENT WHO SUBSCRIBES FOR THE PURCHASE OF ANY UNITS HAS THE RIGHT, PURSUANT TO SECTION 517.061(12) OF THE FLORIDA STATUTES, TO WITHDRAW HIS SUBSCRIPTION FOR THE PURCHASE OF SUCH UNITS AND RECEIVE A FULL REFUND OF ALL MONIES PAID WITHIN THREE (3) DAYS AFTER THE FIRST TENDER OF CONSIDERATION IS MADE BY THE SUBSCRIBER TO THE PARTNERSHIP, ANY AGENT THEREOF OR THE ESCROW AGENT. WITHDRAWAL WILL BE WITHOUT ANY FURTHER LIABILITY TO ANY PERSON. TO ACCOMPLISH THIS WITHDRAWAL, A SUBSCRIBER NEED ONLY SEND A LETTER OR TELEGRAM TO CATRIX RESEARCH LIMITED PARTNERSHIP, c/o LESCARDEN LTD., 790 MADISON AVENUE, NEW YORK, NEW YORK, INDICATING HIS OR HER INTENTION TO WITHDRAW. SUCH LETTER OR TELEGRAM SHOULD BE SENT AND POSTMARKED PRIOR TO THE END OF THE AFOREMENTIONED THIRD DAY. IT IS PRUDENT TO SEND SUCH LETTER BY CERTIFIED MAIL, RETURN RECEIPT REQUESTED, TO ENSURE THAT IT IS RECEIVED AND ALSO TO EVIDENCE THE TIME IT WAS MAILED. IF THE REQUEST IS MADE ORALLY (IN PERSON TO CATRIX RESEARCH LIMITED PARTNERSHIP, (212) 794-8990) A WRITTEN CONFIRMATION THAT THE REQUEST HAS BEEN MADE SHOULD BE REQUESTED.

(2) THE SECURITIES BEING OFFERED BY THIS PRIVATE PLACEMENT MEMORANDUM HAVE NOT BEEN REGISTERED UNDER THE FLORIDA SECURITIES ACT AND SALE OF ANY SECURITIES WILL BE SUBJECT TO THE PROVISIONS OF SUCH ACT.

CALIFORNIA INVESTORS MUST EXECUTE AN APPROPRIATE ACKNOWLEDGEMENT STATEMENT. THE

SALES OF UNITS TO RESIDENTS OF PENNSYLVANIA ARE SUBJECT TO THE FOLLOWING RESTRICTIONS:

(1) EACH PENNSYLVANIA RESIDENT WHO SUBSCRIBES FOR THE PURCHASE OF ANY UNITS MUST EXECUTE AND DELIVER A WRITTEN AGREEMENT NOT TO SELL SUCH UNITS WITHIN TWELVE (12) MONTHS OF THE DATE OF PURCHASE.

(2) EACH PENNSYLVANIA RESIDENT WHO SUBSCRIBES FOR ANY UNITS HAS THE RIGHT, PURSUANT TO SECTION 207 OF THE PENNSYLVANIA SECURITIES ACT OF 1972, TO WITHDRAW HIS SUBSCRIPTION FOR SUCH UNITS AND RECEIVE A FULL REFUND OF ALL MONIES PAID WITHIN TWO (2) BUSINESS DAYS AFTER THE EXECUTION OF THE SUBSCRIPTION AGREEMENT OR THE INITIAL PAYMENT FOR SUCH UNITS HAS BEEN MADE, WHICHEVER IS LATER. WITHDRAWAL WILL BE WITHOUT ANY FURTHER LIABILITY TO ANY PERSON. TO ACCOMPLISH THIS WITHDRAWAL, A SUBSCRIBER NEED ONLY SEND A LETTER OR TELEGRAM TO CATRIX RESEARCH LIMITED PARTNERSHIP, C/O LESCARDEN LTD., 790 MADISON AVENUE, NEW YORK, NEW YORK, INDICATING HIS OR HER INTENTION TO WITHDRAW. SUCH LETTER OR TELEGRAM SHOULD BE SENT AND POSTMARKED PRIOR TO THE END OF THE AFOREMENTIONED SECOND BUSINESS DAY. IT IS PRUDENT TO SEND SUCH LETTER BY CERTIFIED MAIL, RETURN RECEIPT REQUESTED, TO ENSURE THAT IT IS RECEIVED AND ALSO TO EVIDENCE THE TIME IT WAS MAILED. IF THE REQUEST IS MADE ORALLY (IN PERSON TO CATRIX RESEARCH LIMITED PARTNERSHIP, (212)794-8990), A WRITTEN CONFIRMATION THAT THE REQUEST HAS BEEN MADE SHOULD BE REQUESTED.

GENERAL PARTNER: JOHN F. PRUDDEN, M.D.
51 East 73rd Street
New York, New York

GLOSSARY OF TERMS USED

Definitions. Within the context of this document, the following terms shall have the following meanings:

(1) AFFILIATE an "affliate" of, or a person "affiliated" with, a specified person, is a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by or is under common control with the person specified.

(2) ASSUMPTION AGREEMENT shall mean the agreement pursuant to which each investor will be required to personally assume a pro rata portion of the Partnership liability to Lescarden Ltd. or a financial institution for obligations related to the research contracts. Each Partner's pro rata share of liability shall not exceed his unpaid capital contributions. The Assumption Agreement may be a separate agreement or merely endorsement of a promissory note, either of which shall be accomplished by the General Partner by the Power of Attorney granted to him by each Limited Partner.

(3) GENERAL OVERHEAD AND ADMINISTRATIVE COSTS shall mean all administrative, legal, accounting, travel, office rent, telephone, salaries, and other incidental expenses reasonably necessary to the conduct of the Partnership's business.

(4) CAPITAL CONTRIBUTIONS shall mean the aggregate investment required of each Partner in the Partnership or the aggregate investment of all Partners in the Partnership, including cash and promissory notes.

(5) CASH RESERVES shall, unless otherwise provided herein, mean the amount deemed reasonable by the General Partner to provide the required funds for present and future expenses and for the proper maintenance and operation of the Partnership's business or assets including, without limitation, provision for taxes, insurance, amortization of loans, repairs, improvements and replacements.

(6) CLOSING DATE(S) shall be the date(s) upon which all and/or the minimum of the Units have been subscribed for and accepted by the General Partner or March 15, 1982 whichever comes earlier.

(7) ESCROW AGENT shall mean Schupak Rosenfeld Fischbein Bernstein & Tannenhauser, 555 Madison Avenue, New York, New York 10022.

(8) GENERAL PARTNER shall mean John F. Prudden, M.D., or the Substitute General Partner when appropriate.

(9) ORGANIZATION AND OFFERING COST shall mean all costs of organizing the Partnership and selling the Partnership Interests including, but not limited to, sales commissions, expenses for printing, engraving and mailing, salaries of employees while engaged in activities in connection with the offering and the formation of the Partnership, charges of transfer agents, registrars, trustees, escrow holders and depositories, expenses of qualification of the sale of the Partnership interests under securities laws, including taxes and fees, and pre-organization accountants' and attorneys' fees.

(10) LETTERS OF CREDIT shall mean the irrevocable, transferable letters of credit issued by acceptable banks in favor of the Partnership securing the payment of the Promissory Notes (the form of which is attached as Exhibit B to this Memorandum).

deemed reasonable by the General Partner to provide the required funds for present

(11) SUBSCRIPTION shall mean the amount specified in the Subscription Agreement and paid by a Limited Partner to the capital of the Partnership in up to four installments in 1982, 1983 and 1984.

(12) LIMITED PARTNERSHIP AGREEMENT or PARTNERSHIP AGREEMENT shall mean the agreement between the General Partner and Limited Partners in the form annexed hereto as Exhibit A.

(13) LIMITED PARTNERSHIP INTEREST shall mean the ownership interest of a Limited Partner in the Partnership at any particular time, including the rights of such Limited Partner to any and all benefits to which such Limited Partner may be entitled as provided in the Partnership Agreement and in the Uniform Limited Partnership Act of the State of Delaware, together with and subject to the obligations of such Limited Partner to comply with all of the terms and conditions of the Partnership Agreement. The General Partner, at his option, may offer less than whole Units.

(14) LIMITED PARTNERS shall mean the persons or entities listed as limited partners in the Certificate of Limited Partnership and any additional or substituted Limited Partners admitted pursuant to the provisions of the Partnership Agreement.

(15) PARTNERS shall mean collectively the General Partner and the Limited Partners. Reference to a "Partner" shall mean any one of the Partners.

(16) PARTNERSHIP shall mean CATRIX RESEARCH LIMITED PARTNERSHIP, a Delaware Limited Partnership.

(17) PARTNERSHIP PROPERTY shall mean all interests, properties and rights of any type owned by the Partnership.

(18) SUBSCRIPTION AGREEMENT shall mean the agreement whereby persons agree to become limited partners in the Partnership (the form of which is attached as Exhibit B to this Memorandum).

(19) PROMISSORY NOTES shall mean the negotiable promissory notes given to the Partnership by a limited partner in evidencing payment due pursuant to the Subscription Agreement (the form of which is attached as Exhibit B to this Memorandum).

(20) UNIT shall mean a limited partnership interest in the Partnership. There shall be available for Offering a minimum of 4 and a maximum of 20 Units of $160,000 each ($156,800 if paid in cash at Closing).

(21) TECHNOLOGY shall mean inventions, know-how, technical information and data, products, formulas, methods of treatment, or improvements thereon pertaining to Catrix or the Active Principles. The term "Technology" shall not include cosmetic products, veterinary products or "over-the-counter" pharmaceutical (non-prescription) products containing or using Catrix and/or Active Principle(s), provided such products or processes:

a. were not conceived and reduced to practice under research efforts funded by the Partnership; or

b. were conceived and reduced to practice by Lescarden prior to the effective date of this Agreement.

(22) SCIENTIFIC TERMS. The following are scientific terms use in the text of this memorandum:

a. Acne - an inflammatory disease of the sebaceous glands characterized by the formation of papules, tubercles or pustules, or a combination of those lesions, occurring for the most part about the face.

b. Active Principle - shall mean any fractional component derived from or contained in Catrix and having biological activity.

c. Bioassy - Assays that involve the provoking of a biological response (i.e. in living tissue).

d. Cancer - a malignant growth or tumor that reproduces itself and tends to spread indefinitely.

e. Carcinogenicity - having the tendency of producing or inciting cancer.

f. Cartilage - a white, semi-opague, non-vascular connective tissue.

g. Catrix - a complex of mucopolysaccharides derived from cartilage.

h. Dosage Forms - the form used for the application of an agent in a measured dose.

i. Dry Socket - a toothsocket in which, after extraction of the tooth, a blood clot fails to form or disintegrates without organizing, resulting in infection.

j. Emollient - a substance used externally to soften the skin or internally to soothe an irritated or inflamed surface.

k. Fractionation - separation of various molecular species from a mixture.

l. Hemorrhoids - a mass of dilated veins in swollen tissue in the lower rectal or anal wall; a pile.

m. Herpes Simplex - an acute viral disorder characterized by groups of blisters on the skin or mucous membranes.

n. Herpes Zoster - an acute viral infection characterized by inflammation of the sensory ganglia of spinal and cranial nerves and by a painful vesicular eruption of the skin or mucous membranes.

o. Immune System - a complete pathway involving cellular and metabolite response to invasion by foreign molecular species.

p. In Vivo - in the living animal.

q. In Vitro - outside of the body, usually in a living extract (e.g. cells) tested in the laboratory.

r. Investigational New Drug Application (IND) - an application filed with the United States Food and Drug Administration (FDA) which, if approved, enables the applicant's independent investigators to proceed with human clinical testing in accordance with protocals approved by the FDA.

s. New Drug Application (NDA) - an application filed with the FDA subsequent to completion of human clinical studies which, upon approval, releases a new drug for sale to human patients.

t. Osteoarthritis - degenerative joint disease.

u. Pharmacology - pertaining to the science of chemical application to living systems and their response.

v. Pruritus ani - an inflammation in or about the anus causing pronounced itching.

w. Rheumatoid Arthritis - a disease of the joints characterized by changes in the synovial membranes and resulting in deformity and immobility.

x. Teratology - creation of malformations and monstrosities.

y. Toxic - poisonous.

SUITABILITY STANDARDS

Offerees interested in purchasing Limited Partnership units offered by the Partnership through this Private Placement Memorandum should give careful consideration to certain risk factors described under "Principal Risk Factors". In particular, prospective investors should note that since there is, and will be, no readily available market in which to sell the units, an investment in the units will entail holding the units for a long duration without liquidity during which time the Limited Partner could suffer the entire loss of his cash investment.

Investment in the units is limited only to those offerees:

i. who have adequate means to assume the risks of an investment in this Partnership;
ii. who can provide for their current needs and personal contingencies
iii. who can afford to bear the possible full loss of their investment including the future debt obligation; and
iv. who have no need for liquidity in this investment.

Each subscriber must represent that (i) his "Net Worth" is the greater of three times his proposed investment or $500,000 and he will have taxable income in 1981 in the 50% or higher Federal income tax bracket, or (ii) his net worth is in excess of $750,000. (Net worth shall not include homes, furnishings and cars.) Each subscriber must further represent that by virtue of his own investment acumen and business experience, he is capable of evaluating the hazards and merits of participating in this offering or that in making this investment decision he has consulted with and is relying upon the advice of his own personal advisers who have such capability. Additionally, he will have to represent that he can bear the economic risks attendant upon this investment by holding the securities offered hereby for an indefinite period with the possiblity of loss of his entire investment. (See "PRINCIPAL RISK FACTORS").

It is important to note that this investment is most suitable to those investors whose Federal income tax bracket is 50% or higher and who have adequate means to provide for their current needs and personal contingencies without the need for liquidity of this investment. One of the benefits to the investor may be the deductibility of the excess of anticipated costs over revenues to be allocated to him as a Limited Partner in 1982, 1983 and 1984. Furthermore, the investor should thoroughly review his anticipated future income from other sources with his business and tax advisers with a view to the possibility of his being required to pay taxes in future periods in excess of cash distributions from the Partnership during such periods.

Prior to the purchase of a Unit, each prospective Limited Partner will be required to represent, among other things, that (a) he meets each of the foregoing requirements, (b) his financial commitment to all investments, particularly tax-sheltered investments, is reasonable in relation to his net worth, (c) he has relied upon the advice of his own counsel and accountants and/or offeree representative(s), if any, with regard to the tax and other considerations involved in making such an

investment, and (d) he is acquiring the Units for his own account for investment and not with a view to resale or distribution thereof.

For purposes of the foregoing, in order for a person to qualify as an "offeree representative," that person must meet all of the following requirements in representing an offeree:

(a) Such person is not affiliated with the General Partner (except if such person is related to the offeree by blood, marriage, or adoption, no more remotely than as first cousin);

(b) Such person has such knowledge and experience in financial and business matters that he, either alone or together with the offeree and/or other offeree representatives of the offeree, is capable of evaluating the merits and risks of the prospective investment;

(c) Such person is acknowledged by the offeree, in writing, during the course of the transaction, to be his offeree representative in connection with evaluating the merits and risks of the prospective investment in the Partnership; and,

(d) Such person disclosed to the offeree, in writing, prior to the acknowledgment specified in subdivision (c), any material relationship between such person or his affiliates and the General Partner, or his affiliates, which then exists or is mutually understood to be contemplated or which has existed at any time during the previous two years, and any compensation received or to be received as a result of such relationship.

SUMMARY

The Partnership and its Objectives:

CATRIX RESEARCH LIMITED PARTNERSHIP ("the Partnership") will be a Delaware limited partnership with an office c/o U.S. Corporation Company, 306 S. State Street, Dover, Delaware, 19901, organized to engage in research and development with respect to a substance known as Catrix and to commercially exploit the resulting processes and products, if any. The Partnership will also acquire warrants to purchase up to 600,000 shares of the stock of Lescarden Ltd., a New York corporation ("Lescarden"), depending upon the number of units subscribed for, (see "PROPOSED ACTIVITIES" and "PRINCIPAL RISK FACTORS"). The General Partner of the Partnership is John F. Prudden, M.D., 51 East 73rd Street, New York, New York (see "THE GENERAL PARTNER").

The Offering:

A minimum of Four (4) units and a maximum of Twenty (20) limited partnership units are being offered to a limited number of qualified offerees. Each limited partner may elect at the time of subscription one of the following two methods of payment per unit subscribed:

OPTION I

AMOUNT	PAYMENT DUE
$156,800	Upon execution of the Subscription Agreement.

OPTION II

AMOUNT	PAYMENT DUE
$ 20,000	Upon execution of the Subscription Agreement;
$ 20,000	December 15, 1982
$ 60,000	December 15, 1983
$ 60,000	December 15, 1984
$160,000	

The installments payable under Option II in 1982, 1983 and 1984 shall be evidenced by promissory notes bearing interest at the rate of twelve (12%) percent per annum. The Promissory Notes must be secured by irrevocable, assignable and transferrable letters of credit. Unless

the minimum number of Units are subscribed for, this Offering will terminate on March 15, 1982. In the event that at least the minimum number of Units are subscribed for, the offer may be closed at anytime. Thereafter, additional Limited Partners may be admitted by the General Partner until the maximum number of Units is sold but no additional subscriptions will be accepted after March 15, 1982. Fractional units may be subscribed for at the option of the General Partner. The Partnership will acquire warrants to purchase up to 600,000 shares of stock of Lescarden. They will be allocated to the Limited Partners on the basis of 30,000 warrants for each full unit subscribed for.

Research Agreement:

The Partnership will contract with Lescarden Ltd., a New York corporation ("Lescarden"), to have Lescarden perform or cause to be performed the research and development programs of the Partnership (see "Proposed Activities").

Lescarden intends to subcontract with universities and other research centers to perform such research. Lescarden will furnish services to the Partnership in identifying, evaluating and recommending research and development projects to be funded by the Partnership and will negotiate and administer research and development contracts.

License Agreement:

The Partnership will enter into an exclusive licensing agreement with Lescarden pursuant to which Lescarden will market the Technology.

The Partnership will be entitled to 25% of the royalties received by Lescarden on Catrix and Catrix products and 50% of the royalties received by Lescarden on any products resulting from the fractionation of Catrix and a royalty equal to six per cent (6%) of the sales price of any of the above described products that are manufactured and sold by Lescarden. The aforementioned royalties shall be reduced pro rata to the extent that less than the maximum number Limited Partnership units are subscribed for.

Option:

Lescarden Ltd. shall have the option, exercisable no earlier than two (2) years from the date the Partnership is formed and not later than ten (10) years after the date of formation of the Partnership, to purchase the interest of all of the Partners for a price equal to:

License Agreement:

(a) $92,000 for the General Partner's interest and the Limited Partners will receive three (3) times their cash investment if the option is exercised before the expiration of the fourth year following the formation of the Partnership; or

(b) $128,000 for the General Partner's interest and the Limited Partners will receive four (4) times their cash investment if the option is exercised after the fourth year.

The purchase price shall be payable in cash or in stock of Lescarden, Ltd., which shall be valued at the then current trading price. In the event all or a portion of the purchase price is to be paid with Lescarden stock, then the consent of the holders of at least 51% of the Limited Partnership interests shall be required. Lescarden shall be entitled to a credit against the purchase price equal to any royalties previously distributed to the General and Limited Partners pursuant to the License Agreement. Notwithstanding the exercise of the option, the Limited Partners will retain their interest in the warrants. In the event of termination or liquidation of the Partnership or its assets, Lescarden shall have the option to purchase for $25,000 the patents previously transferred by it to the Partnership.

Investor Suitability:

The offering is limited to investors who: (i) have a net worth of at least $500,000 or three times his proposed investment, whichever is greater (exclusive of certain personal assets); and, are in a Federal Income Tax Bracket of 50% or higher or (ii) have a net worth of at least $750,000. Net worth shall not include homes, furnishings and automobiles.

Limited Liquidity:

The Limited Partnership Interests may not be transferred without the consent of the General Partner and without registration under applicable securities laws, unless an exemption is available.

Allocation of Property, Distributions, Profits and Losses:

General Partner	Limited Partners
1%	99%

Compensation to General Partner:

The General Partner will receive, in addition to his participation in Partnership property, distributions

Investor Suitability:

profits and losses, the following fees and benefits: Management Fee - The General Partner will receive from the proceeds of this offering, an annual management fee of $25,000 in 1982, and $25,000 in 1983 and $25,000 in 1984. Thereafter the General Partner will receive a fee of $25,000 per year payable from Partnership funds if available.

Federal Income Tax Consequences:

The General Partner will at closing receive an opinion of counsel that the Partnership will be classified as a limited partnership for Federal income tax purposes. Notwithstanding the opinion of counsel, the Internal Revenue Service may challenge the classification of the Partnership. In addition, the Internal Revenue Service may challenge the allocation or the deductibility of expenses incurred by the Partnership.

Partnership Agreement:

Annexed hereto as Exhibit A is the Agreement of Limited Partnership of the Partnership. The explanation of some of the significant terms and provisions of the Agreement, which give the rights and obligations of the Partnership, is qualified by reference to the Agreement itself. Prospective investors should review the Partnership Agreement in its entirety with their own counsel.

Definitions:

Certain words, terms or phrases used in this Memorandum are defined herein (see "GLOSSARY OF TERMS USED").

the Agreement itself. Prospective investors should

PRINCIPAL RISK FACTORS

Participation in the Partnership involves a high degree of risk. Prospective Limited Partners should retain their own qualified professional advisors to review and evaluate the economic and tax consequences of their investment. Prospective Limited Partners should carefully consider, among other factors, the following elements of risk:

1. Limited Operating History. The Partnership is being organized concurrently with this offering and has no history of operation. The Partnership has not previously engaged in research and development. The General Partner has limited experience in these activities. (See "THE GENERAL PARTNER").

Lescarden Ltd. (Lescarden) is a New York corporation formed in 1960. Lescarden has no history of sales or earnings and it is in precarious financial condition. Lescarden has neither licensed any significant part of the "Technology" (see "GLOSSARY OF TERMS USED"), nor has it received any royalties. Lescarden's ability to perform its function is dependent, to a large extent, upon the efforts of a few key employees, the loss of any of whose services could have an adverse effect on Lescarden and, therefore, the Partnership. There can be no assumption that Lescarden will be able to provide the projects for the Partnership to fund. Although Lescarden presently has identified specific projects for the Partnership to fund, there can be no assurance that such projects will be available when required by the Partnership.

2. Speculative Nature of Activities. Research and development is extremely speculative in nature and involves the risk of partial or complete loss of investment. Any success in commercially exploiting the Technology is subject to significant contingencies. Since all of the Technology is in the developmental stage, there is little or no information available to the Partnership concerning the ultimate value of the Technology in the marketplace, assuming it is successfully developed. The success of the venture is dependent upon completion of the research and development, approval of the United States Food & Drug Administration (FDA) and market acceptability of the products and processes resulting therefrom, if any. There is no assurance that any or all of the research will be successfully completed or that any of the Technology will be commercially feasible. The Partnership will be primarily relying upon Lescarden to evaluate the prospective Technology and to supervise the research and development activities. Lescarden itself will be primarily dependent upon research and development staffs at various universities. The Partnership will have little or no control over these activities. It should be noted that large sums of money have been expended on research and development activities in the medical field and that comparatively little or no recognizable commercial return has been produced to date. Since the Partnership's profits will only be derived from the commercial development of the Technology, there is substantial risk that no such profits will ever materialize for reasons including, but not limited to, the inability of Lescarden to satisfactorily complete research and development or the inability of the Partnership or Lescarden to successfully exploit the Technology if it is developed. Accordingly, this offering is intended only for those persons who can afford to lose all or a substantial portion of their investment.

Fractionation of Catrix to isolate its active ingredients is highly desirable in order to develop a more effective product which can be manufactured synthetically to provide a convenient dosage at a reasonable cost. Even though there have been encouraging results to date, there is no assurance that (a) satisfactory fraction-

available to the Partnership concerning the ulti-

ation can eventually be accomplished or (b) that, if developed, FDA approval is obtained, or (c) a satisfactory product can be manufactured at a reasonable cost or (d) that if a satisfactory product at a reasonable cost can be developed through fractionation and approved by the FDA that such product can be successfully marketed at a profit or (e) that the Partnership can obtain sufficient financing to pursue its fractionation efforts to a satisfactory conclusion or (f) that other like products having similar or greater efficacy will not have reached the market place at an earlier date and at a lower cost.

Dr. Prudden and the Partnership will depend on Canada Packers, an approved FDA supplier, for their supply of Catrix. Canada Packers is under no obligation to produce Catrix for the Partnership. The Partnership has no other sources of supply and the cost of Catrix is still high despite considerable increases in the volume of orders. There is no assurance that Canada Packers will continue to supply Catrix to the Partnership or that another source of supply can be developed.

It is possible that some or all of the projects in which the Partnership becomes involved may be funded in part by the United States Government. In this event certain restrictions and limitations may apply, inlcuding but not limited to retention of a royalty free license by the Federal Government for its use as well as restrictions of the duration of any commercial licenses granted.

In addition, there is a substantial possibility that there may be dominating patents with respect to which any licensee of the Partnership or Lescarden must obtain a license in order to commercially exploit the Partnership's patent. There is no assurance that licenses from holders of dominating patents may be available.

3. Financial Requirements. The Partnership has contracted with Lescarden to perform research and development with respect to the Technology for a fixed price. The contract with Lescarden does not guarantee successful completion of any of the projects, but merely obligates Lescarden to expend the earmarked funds for research. The Partnership will obtain the necessary funds from the contributions of the Limited Partners. In the event that research, with respect to any or all of the Technology, cannot be brought to a commercially exploitable state with the funds available, the Partnership may be forced to abandon its efforts and lose the monies previously invested. There is a substantial possibility that there will be no funds available from commercial exploitation of the Technology to help fund the research, nor is there any assurance that funds will be available from any other source.

4. No Public Market for Units; Limited Transferability. The Units are being offered and sold for investment only and may not be acquired by the purchaser thereof with a view to any resale or distribution thereof. The Units will not be registered under the Securities Act of 1933, as amended, or certain state securities acts by reason, among others, of specific exemptions under the provisions of such acts relating to transactions not involving a public offering or solicitation, which exemptions depend in part upon the investment intent of the purchaser; accordingly, purchasers of the Units will need to bear the economic risk of their investment for an indefinite period.

5. Competition. Competition in the technology is expected to be significant. The Partnership expects to compete with an increasing number of other companies including pharmaceutical companies, many of which have substantially greater financial resources than the Partnership. The most notable competitors will be large foreign and domestic corporations which have substantial research and marketing capabilities, as well as greater financial resources and public recognition than the Partnership.

The Partnership has contracted with Lescarden to

6. Patents and the Risk of Obsolescence. There is considerable risk that the Technology may become obsolete by virtue of discoveries and developments that may arise in the future. The success of the Technology to be developed by the Partnership is, to a great extent, dependent upon patent protection. The Partnership is subject to the risks that the patents could be declared invalid; patent applications rejected, or that new and alternative technologies can render the Partnership's patented Technology obsolete or otherwise not suitable for commercial exploitation. In addition, some of the patents being assigned by Lescarden to the Partnership may expire in the near future. Lescarden has not warranted that the Patents are valid or enforceable. Furthermore, if the Patents assigned by Lescarden to the Partnership are deemed to constitute substantially all of the assets of Lescarden, then the transfer may be voided under New York law since it was accomplished without proper shareholder consent.

7. Governmental Regulations. The Technology is highly controversial and as a result it is anticipated that it will be subject to increasingly stringent regulations and testing requirements by Federal and state authorities, including the Food and Drug Administration. These regulations and requirements can add substantial costs in marketing the Technology, as well as delay, or preventing the Technology from reaching the marketplace.

Substantial additional research and clinical testing and evaluation on human patients must be conducted and the approval of the FDA must be obtained before prescription drug marketing activities relating to Catrix can commence in the United States. There can be no assurance that the results of the research and the clinical testing and evaluation will substantiate Lescarden's belief in the efficacy of its products on human patients or that the required FDA approval will be obtained. In the event that Lescarden is unsuccessful in either of the foregoing objectives, the Partnership's activities may be limited to prescription drug marketing in foreign countries (where permissible) and to sales of non-prescription cosmetic drugs in the United States. However, there can be no assurance that even these limited objectives could be met.

In the testing, evaluation and subsequent development of its product for their initial uses and each additional use, the Partnership and Lescarden are and will be subject to stringent regulation by various federal and state agencies, particularly as to labeling and safety and efficacy of product. Before any product that may be developed can be sold in the United States for use on human patients, a New Drug Application ("NDA") must be granted by the FDA for each specific use of such product. Prior to filing an NDA, an Investigational New Drug Application ("IND") must be filed and made effective by the FDA. Such IND permits the product to be used for clinical evaluation on human patients pursuant to protocols developed by independent investigators retained by Lescarden and the Partnership. These protocols are submitted to the FDA and upon their approval clinical testing may commence. Neither Lescarden nor the Partnership have an approved IND. Animal pharmacology satisfactory to the FDA must be completed before an IND can be granted. There can be no assurance that animal pharmacology satisfactory to the FDA can be developed.

Between 1971 and 1976, Lescarden filed five INDs with the FDA (dry sockets-1971; hemorrhoids-1972; pruritis ani-1973; psoriasis-1973 and acne-1975). In 1977 Lescarden filed an IND for certain types of cancer. Between 1978 and 1979, the FDA

[illegible] approval will be obtained. In the event that

suspended the human clinical studies under all of the INDs filed by Lescarden because of certain alleged deficiencies. Such deficiencies were related to inadequate controls, specifications and uniformity from outside suppliers of cartilage, dosage forms and packing components, as well as Lescarden's inability to provide to the FDA an acceptable procedure to certify the uniformity of Catrix on a lot by lot basis. In December 1979, Lescarden withdrew all of its INDs except the IND filed for certain types of cancer. There is no assurance that the Partnership or Lescarden will ever refile any of its INDs or, if refiled, that they will ever be made effective by the FDA. Should Lescarden or the Partnerhsip not refile the INDs or, if refiled, should they thereafter not be made effective by the FDA, then the Partnership and Lescarden will be unable to file NDAs with respect to its products covered by the INDs and therefore will be unable to sell such products in the United States for medical use on human patients. Such an inability would have a materially adverse effect on the Partnership.

8. Research Agreements. It is anticipated that some or all of the research projects will be subcontracted by Lescarden to researchers at various universities. It is possible that the consent of the universities may not be obtained with respect to some of this research, therefore, there is a risk that the universities at a later date, can claim an interest in the work being performed or cause the research operations to be suspended.

9. Testing by Dr. Prudden. The General Partner is Dr. John F. Prudden. Dr. Prudden is a physician and the discoverer of Catrix and is the person who has performed all of the human clinical testing to date. Dr. Prudden continues to administer Catrix to patients. He believes that as a licensed physician, and the discoverer of Catrix, he has the right to treat patients with whatever medication he and they wish. It is conceivable that as a result of the suspension of the human clinical studies under all of Lescarden's INDs and the subsequent withdrawal of Lescarden's INDs, Dr. Prudden will be denied the right to treat patients with Catrix. While Dr. Prudden would contest such a denial and would probably litigate the matter, there can be no assurance that such a denial, if made, would not be sustained in an administrative hearing or in court litigation. Should such an eventuality occur, the Partnership's research and testing program could be adversely affected.

10. Compensation. As compensation for services rendered to the Partnership, the General Partner will receive fees from the Partnership which in the aggregate may be substantial in amount, whether or not any sums are distributed to or profits are realized by the Partners (see "COMPENSATION AND OTHER BENEFITS TO THE GENERAL PARTNER").

11. Termination of the Partnership. The Partnership will operate in such a manner as the General Partner deems appropriate to preserve the limited liability of the Limited Partners. The Partnership Agreement provides for termination of the Partnership under certain circumstances including the withdrawal of the General Partner, except in the event of the admission of the Substitute General Partner. If the Partnership is dissolved, the Limited Partners may be distributed undivided interests in the Partnership's Properties and would no longer have limited liability with respect to the ownership of such Properties.

a licensed physician and the

12. Liability of Limited Partners. The Partnership Agreement provides that no Limited Partner will be personally liable, in his capacity as Limited Partner, for any of the losses, debts, obligations or liabilities of the Partnership except to the extent provided in the Assumption Agreement (see "GLOSSARY OF TERMS USED"), and that no Limited Partner will be required to contribute any capital to the Partnership in excess of the Capital Contribution required for the Units subscribed for. However, in the event that a Limited Partner has received a return of all or part of his Capital Contribution at any time when the assets of the Partnership are insufficient to meet its debts, creditors of the Partnership may have claims against such Limited Partner to the extent of such return of capital. In addition, a Limited Partner is liable to the Partnership for the difference between (a) his Capital Contribution as actually made, and (b) any unpaid contribution which he agreed in the Partnership Agreement to make in the future at the time and on the conditions stated in the Partnership Agreement.

13. Conflicts of Interest. Neither the General Partner nor Lescarden intend to devote his or its full time and attention to the Partnership. During the life of the Partnership they may participate in other ventures and may otherwise engage in research and development. The General Partner is an officer and director and major stockholder of Lescarden.

14. Limited Market for Lescarden's Stock Warrants. The Partnership will acquire warrants to purchase up to 600,000 shares of the common stock of Lescarden stock. Lescarden's stock is currently traded over the counter. The warrants are exercisable at $15 per share and will expire five (5) years from the date of issuance. Lescarden's common stock, quoted over-the-counter, has an extremely limited market. There is very little trading in the stock and, based upon information obtained by Lescarden from its stock transfer sheets, such activity consists mainly of small and infrequent trades. Accordingly, the current bid and asked prices quoted in such over-the-counter market by the National Quotation Bureau should not be deemed an indication of the market value of the outstanding common stock of Lescarden. Furthermore, the Warrants and the underlying common shares will be deemed restricted securities and thus will not be publicly saleable without an effective registration statement. Lescarden is not obligated to file such a registration statement with the Securities and Exchange Commission, nor to include such Warrants or the underlying shares in a registration statement which it may file for the sale of its own securities. Consequently, the Warrants and underlying shares will have a substantially discounted value from the market price of the shares of Lescarden on the Over the Counter market.

15. Limitation on Rights of Limited Partners. The Partnership Agreement prohibits the Limited Partners from participating in the management of the Partnership and thus the success of the Partnership will depend upon the ability of the General Partner and third parties with whom he contracts. The General Partner cannot be removed from the Partnership except for cause.

16. Summary of Federal Income Tax Risks. The Units are being privately offered to parties with substantial net worth and income, subject to being taxed in the high income tax brackets and who may avail themselves of certain tax benefits presently allowed under the Federal income tax laws. There is no assurance that any capital

obtained by Lescarden from its stock transfer sheets, such activity consists mainly

invested in the Partnership will be recovered. In addition, there are substantial risks associated with the Federal income tax aspects of investment in the Partnership. Neither this summary nor the information set forth under "FEDERAL INCOME TAX CONSEQUENCES" is a substitute for careful tax planning, particularly since the income tax consequences of an investment in the Partnership are complex and are not the same for all taxpayers. Offerees are urged to consult their own tax advisors prior to investing in the Partnership. For a more detailed discussion of the Federal income tax aspects of an investment in the Partnership, see "FEDERAL INCOME TAX CONSEQUENCES".

A. Tax Considerations - General. The present Federal income tax treatment with respect to research and development programs has a major effect on the advisability of investing in the Partnership. However, there is no assurance that the income tax laws of the United States will not be changed by legislation or court decisions, or that the Internal Revenue Service will not change its interpretations of such laws.

B. Tax Status of the Partnership. The Partnership will at closing receive an opinion of tax counsel that it will be treated as a partnership and not as an association taxable as a corporation for federal income tax purposes. A ruling from the Internal Revenue Service to this effect will not be requested. Notwithstanding the opinion obtained by the Partnership, there can be no assurance that the Internal Revenue Service will not challenge the Partnership's status as a partnership for federal income tax purposes. In the event of such a challenge, the issue may have to be contested by the individual investor. In particular, it should be noted that the opinion referred to above is based on the interpretations by Tax Counsel of currently existing law and the application of the Treasury Regulations promulgated under Section 7701 of the Internal Revenue Code.

If it is ultimately determined that the Partnership should be classified as an association taxable as a corporation, investors will be adversely affected in that, among other things, (i) Partnership income would be taxed to the partnership at corporate rates, and capital gains would also be taxed to the Partnership, rather than there being no tax on income or capital gains at the Partnership level; (ii) Partnership losses (expenses in excess of income) would not be passed through to Limited Partners for use in reducing taxable income from sources other than the Partnership; and (iii) Partnership distributions would be treated as corporate distributions to the recipient. The effect of the foregoing would be to substantially reduce the effective yield on an investment in the Partnership.

C. Partnership Allocations. The Limited Partnership Agreement provides that all items of property, income, gain, deduction, loss, credit and distribution be allocated 99% to the Limited Partners and 1% to the General Partner. No assurance can be given that the Internal Revenue Service will not challenge the allocation of income, gain and costs. In the event such allocations are not recognized for federal income tax purposes, the benefit of losses, deductions and credits could be postponed or disallowed in part and anticipated tax benefits substantially reduced.

D. Deductibility of Research and Development Expenses. Most, if not all, of the research and development costs incurred by the Partnership will result in research and development subcontracts in which the performance of the ultimate work at universities will occur in the taxable year of payment. The Internal Revenue Service may assert that any payments for work to be performed in a subsequent year are not deductible until the year in which the services are performed and such position may be upheld by the courts.

Because the Partnership will report its income on the cash method of accounting, the General Partner intends to treat the monies paid to Lescarden as currently deductible for Federal income tax purposes. The Internal Revenue Service may challenge this treatment on several grounds including: (1) that the relationship between Lescarden and the Partnership constitutes a joint venture so that the Partnership's transfer of funds to Lescarden does not qualify as a deductible "payment" and (2) that the current deduction does not "clearly reflect income" insofar as it represents a payment for services to be performed after the close of the taxable year of payment.

E. Treatment of Lescarden Warrants. Under the terms of the offering, investors are purchasing interests in the Partnership which, in turn, will own warrants to purchase the stock of Lescarden. Nevertheless, because the Partnership Agreement permits the General Partner to distribute such warrants to the investors and requires such distribution in certain circumstances, the Internal Revenue Service may attempt to recharacterize the transaction as a purchase by the investors of the Lescarden warrants or stock. If this view prevails, a portion of the expenditures of the Partnership which were anticipated to be deductible by the investor may not be deductible. There can be no assurance that the Internal Revenue Service would not be successful in an attempt to recharacterize the transaction in this or any other manner.

F. At Risk Limitations. A Limited Partner of a Partnership shall be allowed to deduct losses only to the extent the taxpayer is "at risk" with respect to the activity at the close of the year in question. The Internal Revenue Service recently issued proposed regulations relating to the determination of amounts considered "at risk". Pursuant to the proposed regulations, an investor may not be considered "at risk" to the extent of future contributions payable to the Partnership. There can be no assurance that the Internal Revenue Service will not limit a Limited Partner's amount at risk to the amount of cash he actually contributes to the Partnership, and any Limited Partner's share of Partnership losses in 1981 in excess thereof, as in the case of Limited Partners issuing Promissory Notes, will be deductible, if available, in the year or years when any such Promissory Notes are actually paid. Accordingly, each prospective investor should consult with his own personal tax advisor as to the income tax risks of the proposed regulation. (See "FEDERAL INCOME TAX CONSEQUENCES").

G. Tax Audits. There can be no assurances that Partnership deductions will not be contested or disallowed by the Internal Revenue Service or that the Service will not change the amount of any deduction or the period or year in which it may be claimed. Any disallowance of an item on the tax return of the Partnership may be expected to affect the tax returns filed by individual Limited Partners with the result that the tax return of the individual Limited Partner could be audited. The cost of any negotiation or litigation regarding any challenge or disallowance may be borne solely by the affected Limited Partner, including payment of penalties and interest. No assurance can be given that tax adjustments may not be required to be made as a result of a tax audit (see "FEDERAL INCOME TAX CONSEQUENCES").

H. Federal Income Tax May Exceed Cash Distribution. Investors should recognize that a Limited Partner's tax liability upon the sale or other disposition of the Partnership's property may exceed the Limited Partner's share of the cash proceeds, if any, of such disposition. Further, a Limited Partner may have to report and pay Federal income tax on his share of nondistributed Partnership revenues which are retained by the Partnership for working capital or other reasons.

I. Disposition of Interests; Dissolution. Investors should be aware that gain or loss may be realized upon disposition of Partnership interests or upon dissolution of the Partnership and any such gain may be treated as ordinary income in whole or in part. To the extent any distribution is in property other than cash, in whole or in part, an Investor may have to secure cash from another source to pay any resulting tax liability.

J. Possible Application of Section 183 of the Code. The Internal Revenue Service could challenge most of the Partnership's losses and each Partner's allocable deductions on the basis that the Partnership was deemed not to be engaged in an activity for profit. (Interest, taxes and other similar deductions are allowable under certain sections of the Code without regard to whether there is a profit motive.) The issue of profit motive is primarily a question of fact, an affirmative answer to which will depend upon the actual intent of the Partnership as evidenced by the presence of objective facts which support the credibility of actual intent.

K. Recent Tax Legislation and Rulings. The Revenue Act of 1978 substantially affects the taxation of limited partnerships, particularly so-called "tax shelter" limited partnerships and their partners. In general, partners of limited partnerships will incur more tax liability than was the case before the passage of this legislation. In addition, the Internal Revenue Service has issued several revenue rulings which seriously restrict the tax benefits afforded by "tax shelters". As it is uncertain whether such rulings are correct or would be upheld by the courts in the case of challenges which the Partnership would contest, Offerees are urged to consult their own tax advisors before investing in the Partnership.

THE LIMITED PARTNERSHIP

General

The Partnership will be organized as a limited partnership under the laws of the State of Delaware. The General Partner will be John F. Prudden, MD. The Limited Partners will be those investors whose subscriptions for Limited Partnership Interest are accepted by the General Partner. The Partnership will maintain an office in Delaware at c/o U.S. Corporation Company, 306 South State Street Dover, Delaware, 19901 and will maintain an office and its books and records at the principal office of Dr. John F. Prudden, 51 East 73rd Street, New York, New York, or at such other place as it may deem appropriate.

The descriptions of the Limited Partnership Agreement and other Exhibits and documents relating to this Memorandum only summarize certain material provisions thereof. Each should be carefully reviewed by each prospective investor and his independent investment representative before a decision is made as to the advisability of investing in the Partnership. All references in this Memorandum to the Limited Partnership Agreement and other Exhibits are expressly qualified by the text thereof.

General Partner - Capital Contributions

The General Partner, will contribute to the Partnership warrants to purchase up to 600,000 shares of stock of Lescarden, if the maximum number of units has been subscribed. If less than the maximum number of units have been subscribed, the

General Partner will contribute 30,000 warrants for each of the subscribed units. The warrants will expire in five years. The exercise price will be fixed at $15.00 per share. Dr. Prudden recently acquired an option to acquire the warrants for $ .05 each. In the event that less than the maximum number of subscriptions are received, Dr. Prudden will exercise his rights only to the extent necessary to make the above indicated contribution and will let the option in respect of the remaining warrants lapse in order to avoid a potential conflict of interest which would arise if he individually held warrants that were widely disproportionate to his Partnership interest. There is no market value for the warrants.

The General Partner shall not be required to make any additional contribution to the capital of the Partnership, nor shall he be required to make any loans to the Partnership.

Limited Partners - Capital Contributions

The Limited Partners will contribute an aggregate principal amount of $3,200,000 if the maximum number of units are subscribed for, or $640,000 ($627,200 if Option I is chosen) if the minimum number of units are subscribed for. Investment will be in the form of Partnership Units, each in the amount of $160,000 ($156,800 if option I is chosen). The General Partner may, in his sole discretion, accept a Capital Contribution of less than $160,000. Under no circumstances will there be more than 35 investors who have contributed less than $150,000 each. No Partner will be admitted to the Partnership unless and until the minimum number of Units have been sold. Therefore, it is possible that the General Partner will initially close with less than the maximum number of units. Thereafter, additional Limited Partners may be admitted until the maximum number of units is sold but not later than March 15, 1982. The Limited Partners admitted subsequent to the initial closing will be allocated those research costs for which their capital contributions have been used. All Limited Partners will share pro rata in accordance with their Partnership interest in revenues, distributions, etc. from all projects.

Each unit of Limited Partnership Interest will be entitled to 30,000 warrants for the purchase of the stock of Lescarden.

Each limited partner may elect at the time of subscription one of the following two methods of payment per unit subscribed:

OPTION I

DUE DATE	PER UNIT	TOTAL Minimum	TOTAL Maximum
Upon execution of the Subscription Agreement	$156,800	627,200	3,136,000

OPTION II

	Due Date	Per Unit	Total Minimum	Total Maximum
(a)	Upon execution of Subscription Agreement	$ 20,000	$ 80,000	$ 400,000
(b)	December 15, 1982	$ 20,000	$ 80,000	$ 400,000
(c)	December 15, 1983	$ 60,000	$ 240,000	$ 1,200,000
(d)	December 15, 1984	$ 60,000	$ 240,000	$ 1,200,000
		$160,000	$ 640,000	$ 3,200,000

The deferred installments of the capital contributions to be made to the Partnership by each Limited Partner electing Option II will be evidenced by negotiable Promissory Notes bearing interest at the rate of 12% per unit. The Promissory Notes will be secured by irrevocable, unconditional, assignable and transferrable letters of credit. Each prospective Investor will be required to provide the Partnership with the letters of credit at Closing Date together with his Subscription Agreement (the Subscription Agreement is annexed hereto as Exhibit B). The cost of obtaining the letters of credit will be borne by the Investor (acceptable forms of Promissory Notes and letters of credit are annexed hereto as Exhibit B). The Partnership anticipates that it may utilize the Investors' Promissory Notes and letters of credit as collateral for Partnership borrowings (the "Borrowing"), the proceeds of which may be used to meet Partnership obligations, including payment to Lescarden and the General Partner (see "USE OF PROCEEDS").

Each Partner electing Option II may be required to assume, in his individual capacity, a share of the Borrowing secured by his Promissory Notes or the obligation of the Partnership to Lescarden. Such assumption may be made pursuant to an Assumption Agreement or promissory notes which shall be executed on behalf of each Partner pursuant to a Power of Attorney granted to the General Partner. Such assumption of Partnership borrowings by each Partner shall not exceed the face amount of his Promissory Notes and shall be assumed in the ratio that the amount of such Partner's Capital Contribution bears to the aggregate of all Limited Partner Capital Contributions The Letters of Credit may be assigned to further secure the obligation of each partner under the Assumption Agreement. A Partner shall be relieved of his obligations under the Assumption Agreement to the extent he has repaid his share of borrowings to the bank or lending institution.

Until the Closing Date, all proceeds of this offering will be held by the Escrow Agent at a bank. If the mininum offering is not completed by March 15,1982 then all such proceeds shall be refunded to subscribers without interest and without deduction for fees or other expenses.

The General Partner may, but is not obligated to, subscribe for Units of Limited Partnership Interests.

Subscription and Admission to Limited Partnership

An investor who desires to subscribe for a Limited Partnership Interest should complete and execute the Subscription Agreement, offeree questionnaire, power of attorney, promissory notes and other appropriate documents, copies of which are included in the Subscription Package. The power of attorney granted by each Partner irrevocably appoints the General Partner, John F. Prudden, MD as his attorney-in-fact to execute each Limited Partner's name to the Certificate of Limited Partnership, the Partnership Agreement, the Assumption Agreement and other Partnership documents contemplated herein or in the Partnership Agreement.

Plan of Placement

Stires & Co., Inc. (the "Sales Agent"), has agreed to use its best efforts to sell the Units on an agency basis and anticipates that it will be selecting other dealer members of the NASD (the "Selected Dealers"), to assist in the sale of Units. The Sales Agent and the Partnership have entered into an agreement whereby the

Until the Closing Date, all proceeds of this offering

Partnership will pay the Sales Agent a cash fee equal to 10% of the cash raised from the sale of Units. The General Partner will remit the fee to the Sales Agent according to a schedule negotiated and agreed upon between the Sales Agent and the Partnership. The Sales Agent will be responsible for paying the Selected Dealers out of the cash fee.

PROPOSED ACTIVITIES

Introduction

Catrix is a processed cartilage powder, originally patented in 1968 by Dr. Prudden, the General Partner. Dr. Prudden first used Catrix as a wound-healing and anti-inflammatory agent in his laboratory and private practice. Thereafter, Dr. Prudden's results from his clinical practice indicated that Catrix is capable of stimulating the body's own immunoregulatory system and has been found by him to be effective in treating the following diseases: certain types of cancer; osteoarthritis and rheumatoid arthritis; psoriasis; acne; herpes zoster and herpes simplex; pruritus ani; hemorrhoids and "dry sockets" (mandibular alveolitis).

The primary research contracts to be entered into by the Partnership will be aimed at isolating and confirming Dr. Prudden's results with whole Catrix and the active components ("fractions") of Catrix. Dr. Prudden believes that there are at least two active fractions; an inhibitory factor which inhibits the growth of unwanted cells and a stimulatory factor that promotes the growth of healthy cells. This theory was researched at Case-Western Reserve University during the last two years, under the direction of Dr. Alan Walton. The primary research contracts will include a continuation of Dr. Walton's research with respect to isolating, identifying and testing the two fractions. Additionally, whole Catrix, as well as fractions will be tested for their antitumor and other effects in animals. This work will be carried out primarily by Dr. Wayne Tompkins at the University of Illinois. In addition to the primary contracts, the Partnership if there are available funds, intends to enter into research contracts for testing the capabilities of whole Catrix and fractions as an arthritic inhibitor, evaluation of the immuno-biological effects of whole Catrix and fractions in the immune system, treatment of cancer patients with whole Catrix and investigation of the dermatological applications of whole Catrix.

The Partnership will acquire, by contribution from the General Partner, warrants to purchase up to 600,000 shares of the common stock of Lescarden, Ltd. Lescarden is a public company, whose stock is traded Over the Counter. The warrants will be exercisable at $15 per share and will expire five years from the date of issuance. The warrants will be allocated solely to the Limited Partners of the Partnership. Therefore, each full Partnership unit will be entitled to 30,000 warrants.

LICENSE AGREEMENT:

The Partnership will enter into an exclusive licensing agreement with Lescarden pursuant to which Lescarden will market Catrix and Catrix products as well as the products or technology owned or acquired by the Partnership or developed by the research and development activities of the Partnership. Lescarden will retain for its own account all rights to cosmetics, veterinary products and over the counter products involving Catrix unless such products result from the research efforts funded by the Partnership.

under the direction of Dr. Alan Walton. The

The Partnership will be entitled to 25% of the royalties received by Lescarden on Catrix and Catrix products and 50% of the royalties received by Lescarden on any products resulting from the fractionation of Catrix and a royalty equal to six per cent (6%) of the sales price of any of the above described products that are manufactured and sold by Lescarden. The aforementioned royalties shall be reduced pro rata to the extent that less than the maximum number Limited Partnership units are subscribed for. It is possible that some of the universities doing research for the Partnership may require that they receive an interest or royalties from any products developed by their research.

OPTION

Lescarden Ltd. shall have the option, exercisable no earlier than two (2) years after the date the Partnership is formed and not later than ten (10) years after the date of formation of the Partnership, to purchase the interest of the Limited Partners and General Partner for a price equal to:

(a) $92,000 for the General Partner's interest and the Limited Partners will receive three (3) times their cash investment if the option is exercised before the expiration of the fourth year following the formation of the Partnership; or

(b) $128,000 for the General Partner's interest and the Limited Partners will receive four (4) times their cash investment if the option is exercised after the fourth year.

The purchase price shall be payable in cash or in stock of Lescarden, Ltd., which shall be valued at the then current trading price. In the event that Lescarden elects to pay all or a portion of the purchase in Lescarden stock, then the consent of the holders of at least 51% of the Limited Partnership interests shall be required. Lescarden shall be entitled to a credit against the purchase price equal to any royalties previously distributed to the General and Limited Partners pursuant to the Licensing Agreement. Notwithstanding the exercise of the option, the Limited Partners will retain their interest in the warrants.

Lescarden Research Agreement Summary

The Partnership will pursuant to a Research Agreement enter into a series of contract research programs with Lescarden pursuant to which Lescarden will perform, or cause to be performed, research in connection with Catrix. The objective is the invention and improvement of products and processes suitable for licensing to industry. Lescarden will subcontract the reseach to university or other research facilities. The Partnership will pay Lescarden on a schedule which is determined in accordance with anticipated commencement of individual research projects that comprise each of the contract research programs. The funding will be accomplished in three phases. Phase I will be funded on or before March 15, 1982; Phase II, on or before April 1, 1982 and Phase III, on or before December 15, 1982. The schedule is as follows:

	PAYMENTS TO LESCARDEN	
Technology	Minimum Subscriptions	Maximum Subscriptions
Separation of Catrix into Active Components		
PHASE I	$112,500	$112,500
PHASE II	$ - 0 -	$233,333
PHASE III	$ 65,000	$400,000

Assay for Anti-Tumor Activity

PHASE I	$ - 0 -	$ - 0 -
PHASE II	$ - 0 -	$333,333
PHASE III	$ - 0 -	$400,000

In Vivo Assay for Anti-Tumor (Animals)

PHASE I	$112,500	$112,500
PHASE II	$ - 0 -	$166,667
PHASE III	$65,000	$200,000

Data Collection to Meet Regulatory Standards (Lescarden)

PHASE I	$ - 0 -	$ - 0 -
PHASE II	$ - 0 -	$ 26,667
PHASE III	$ - 0 -	$150,000

Bio Assay for Arthritic Control

PHASE I	$ - 0 -	$ - 0 -
PHASE II	$ - 0 -	$100,000
PHASE III	$ - 0 -	$100,000

Bio Assay for Immune System

PHASE I	$ - 0 -	$ - 0 -
PHASE II	$ - 0 -	$100,000
PHASE III	$ - 0 -	$100,000

The aforementioned expenditures may vary considerably from the estimates depending upon many factors including subscriptions by Limited Partners to more than the minimum and less than the maximum number of Units as well as the success, failure, or requirements of specific research projects.

The Partnership will deliver notes to Lescarden to the extent of any Phase II or Phase III projects undertaken. The notes are demand obligations. Demand by Lescarden for repayment faster than the indicated schedule may be made provided that research projects subcontracted by Lescarden require funding at a rate faster than the indicated above schedule.

With regard to each contract research program, Lescarden shall provide, at its own expense, the following:

1. The supervision of each research contract research program including quarterly reports as to the status of each project.

2. The securing, from the university researchers or institution to which each research project is subcontracted, of commercially exploitable property rights in the inventions and technology that is the subject matter of each research project. Some universities may require royalty payments with respect to any products developed by their research.

3. The filing and prosecution of patent applications and the maintenance of patents which issue therefrom on inventions made during or in the course of the subcontracted research projects to the best of Lescarden's ability.

4. The licensing to industry of the inventions and technology that was the subject matter of the research projects, and the administration of the licenses or the manufacture and sale of products based on the technology.

5. The payment to the Partnership, from net licensing revenues (i.e., net revenues remaining after payment of universitiess' or subcontractors' share of gross revenues).

It is anticipated that a portion of the monies paid to Lescarden will be used to pay Dr. Prudden, (the General Partner), and Dr. Rees, (also a director of Lescarden) for certain overhead and administrative costs in connection with their services rendered to Lescarden in connection with the subject research contract.

The following is a description of the programs the Partnership is considering funding:

1. Separation of Active Catrix Components. Drs. Jamieson and Beaudoin [Dr. A. Walton]. Advanced fractionation techniques to be used to separate the molecular species in Catrix. These fractions will be identified by analytical biochemical techniques. Objectives are (a) to provide information on bioactive species for FDA regulation requirements and new patents; and (b) to identify more potent entities for pharmacological application.

2. Assay for Anti-Tumor Activity. Dr. B. Durie. Both whole Catrix and fractions will be assayed for activity in cell cultures of various human malignant cell types. Such work will be a preliminary to issue of a required I.N.D. [Investigation of New Drug] permit for human trial use. It is anticipated that the major part of this funding will take place after the IND has been granted.

3. In Vivo Assay for Anti-Tumor Activity-Animal. Dr. W. Tompkins. Whole Catrix will be assayed for efficacy in various mouse malignancies in controlled studies. Such work is a prerequisite for certification by regulatory agencies such as the FDA.

4. Data Collection to Meet Regulatory Standards. Dr. R. Rees-Lescarden, Ltd. In this part of the program Dr. Rees will assemble, correlate and present data from university investigators for purposes of meeting FDA regulatory standards.

5. Bioassay for Arthritic Control. Drs. R. Moskowitz and C. Malemud. Catrix and Catrix fractions will be assayed in cell culture and in a rabbit knee joint model for their effect on the stimulation of cellular production and joint repair.

6. Bioassay for Catrix and the Immune System. Dr. A. Nowotny. A series of bioassays aimed at defining the mode of action of Catrix in vitro and in animal systems will be carried out both in laboratory and animal testing; special attention will be given to the effects of the material in immunological cell systems.

It should be noted that Lescarden is currently involved in funding research projects involving Catrix (including fractionization). The Partnership projects will benefit from any research funded by Lescarden.

Acquisition of Catrix Patent Rights.

The Partnership will acquire from Lescarden, subject to the License Agreement, the U.S. rights to the three (3) Catrix patents and one (1) patent application set forth below. The Partnership will pay Lescarden $25,000 for these rights. In addition, all rights resulting from fractionation research efforts funded by the Partnership will belong to the Partnership.

1. U.S. Patent No. 3,476,855 - Sterilizing and Enhancing Activity of a Finely Divided Cartilage Powder

2. U.S. Patent No. 3,478,146 - Wound-Healing Cartilage Powder Extracting Process

3. R.E. 28,093 - Wound-Healing Cartilage Powder (Expires September 3, 1985).

4. U.S. Application S.N. 137547 - Method of Manufacture Cartilage Extract.

Lescarden shall retain all rights to cosmetics, veterinary products and over the counter products involving Catrix unless such products result from the research efforts funded by the Partnership.

In the event of a termination of the Partnership or liquidation of its assets, Lescarden shall have the right to purchase for $25,000 any or all of the aforementioned patents. Lescarden does not warrant or represent that the Patents are valid or enforceable.

Description of Lescarden

Lescarden was incorporated under the laws of the State of New York on September 19, 1960. Since its formation, it has been a development company engaged in research, testing and development of medications for the control and cure of various diseases. In its research and testing to date, Lescarden has developed a constellation of products which are described below, one group of which is based upon Catrix (a complex of mucopolysaccharides derived from cartilage) and a second group based upon one of Catrix's components, Poly-NAG (polymeric-N-acetyl glucosamine).

Lescarden believes that both groups of products have demonstrated wound-healing properties. It would also appear, but still must be proven that Catrix products have demonstrated anti-inflammatory properties as well as the capability of stimulating the body's natural immunoregulatory system to counteract various diseases. Lescarden's research into Catrix and its components has not been completed and substantial additional research, clinical testing and evaluation and the approval of the United States Food and Drug Administration will be required before Lescarden can offer Catrix or any of its components for sale in the United States.

Lescarden has not engaged in any significant activity other than research, testing, developing and licensing relative to Catrix and its components. Its earnings have been negligible since its formation. A copy of Lescarden's most recent annual report is annexed hereto. (The Form 10 has not yet been approved by the Securities & Exchange Commission and may be subject to change.)

Catrix-Based Products

Dosage Form	Composition
Powder	a complex of mucopolysaccharides and polypeptides derived from cartilage ("Catrix") in powder form
Cream	an aqueous emulsion of glyceryl monostearate base containing Catrix preserved with benzyl alcohol
Injection	a sterile iso-molar extract of Catrix preserved with benzyl alcohol
Suppositories	Catrix dispersed in hydrogenated vegetable oil base and moulded into bullet-shaped suppositories
Capsules	Catrix powder in hard gelatin capsules
Euderma Cream	emollient cream containing Catrix preserved with benzyl alcohol
Sine Qua Non	emollient cosmetic cream containing Catrix preserved with benzyl alcohol

Poly-NAG-Based Products

Powder	polymeric-N-acetyl glucosamine, chitin and chitosan, derived from exoskeletons of arthropods ("Poly-NAG") in powder form
Cream	an aqueous emulsion of glyceryl monostearate base containing Poly-NAG preserved with benzyl alcohol
Solution	low molecular weight Poly-NAG preserved with benzyl alcohol
Sutures	fibers spun from solutions of high molecular weight Poly-NAG
Non-woven Mats	Poly-NAG fibers spun to form non-woven mats
Sponges	sponges prepared by the coagulation of Poly-NAG solutions
Prosthetic Devices	prosthetic devices prepared from Poly-NAG solutions

preserved with benzyl alcohol

Between 1971 and 1976, Lescarden filed five Investigational New Drug Applications ("INDs") with the United States Food and Drug Administration ("FDA") (dry sockets-1971; hemorrhoids-1972; pruritus ani-1973; psoriasis-1973 and acne-1975). In 1977, Lescarden filed an IND for certain types of cancer. The filing of an IND is the first official step towards the incorporation of a new drug substance into a specific dosage form for the treatment of a specific disease or ailment. These INDs encompassed specific dosage forms using measured amounts of Catrix for the specific treatment of dry sockets, hemorrhoids, pruritus ani, psoriasis, acne and certain types of cancer.

Lescarden did not have sufficient funds to commence the tremendously expensive and time consuming testing required by these INDs. In addition, the FDA between 1977 and 1979 raised a number of questions concerning the INDs that Lescarden could not answer without additional research funds. As a result, Lescarden was obliged in 1979 to withdraw all but its cancer IND. A hold was placed on clinical testing under the cancer IND pending appropriate response to a number of deficiencies found by the FDA in the application. Even though Lescarden management is hopeful that these deficiencies can be rectified, there is no assurance that an IND will be granted in any event.

One of the problems posed by the FDA had to do with the consistency of the dosage forms. Lescarden has undertaken the chemical assaying required to solve this problem and in addition has been carrying out fractionation research to determine the biologically active ingredients of its products. In July 1979, Lescarden entered into an arrangement with a group of scientists associated with Case Western Reserve University to fractionate Catrix. The research team, headed by Dr. Alan Walton, has been successful in deriving several biochemical fractions of Catrix. These fractions are being tested in the laboratory and in animals for efficacy. Dr. Charles Malemud at Case Western Reserve University and Dr. Wayne Tompkins of the University of Illinois are doing this work.

Over the past twenty years, Dr. John F. Prudden, the discoverer of Catrix, has treated patients in his private practice with various dosage forms using Catrix. Dr. Prudden is a physician and surgeon and is also a director and major shareholder of Lescarden and its Chairman and Medical and Scientific Director. He has employed various dosage forms using Catrix and Poly-NAG products to enhance wound-healing and to treat, among other conditions, pruritis ani, psoriasis, acne, osteoarthritis, rheumatoid arthritis, various forms of herpes and certain types of cancer. Some of those results were published in May 1970 and in the American Journal of Surgery (vol. 119, pp. 560-564). Others were published by Dr. Prudden and Dr. Leslie L. Balassa in a paper entitled "The Biological Activity of Bovine Cartilage Preparation" (Seminars in Arthritis and Rheumatism, Vol. III, No. 4, Summer 1974). Further test results were reported by Drs. Prudden and Balassa in the Proceedings of the First International Conference on Chitin-Chitosan in May 1978. Many of these test results were submitted to the FDA as part of Lescarden's INDs before those INDs were withdrawn.

While it would appear that the efficacy of Catrix in various dosage forms for the treatment of various diseases and ailments has been shown by Dr. Prudden as a result of the treatment of his patients and his reports to the FDA, it may be necessary to conduct tests to verify Dr. Prudden's results in order to comply with the stringent efficacy standards and specifications of the FDA.

Employees

Lescarden presently has seven employees: John F. Prudden, Chairman; Leslie L. Balassa, Vice Chairman; Donold K. Lourie, Chief Executive Officer, President and Treasurer; Chester M. Ross, Vice President Secretary and General Counsel; Roben Seltzer, Vice President, Assistant Treasurer and Assistant Secretary; Andrea Gestay, bookkeeper and secretary and Catherine McArdle, receptionist and secretary.

In addition, Lescarden has contracted with Clinical Resources, Inc. to obtain the services of Dr. Roberts M. Rees as a consultant for FDA affairs.

The directors and executive officers of Lescarden are:

Name and Address	Office
Dr. John F. Prudden 409 North Broadway Upper Nyack, New York	Chairman of the Board of Directors and Medical and Scientific Director
Donold K. Lourie 211 East 70th Street New York, New York	President, Chief Executive Officer, Treasurer and Director
Dr. Leslie L. Balassa Shore Drive, Tomahawk Lake Blooming Grove, New York	Vice Chairman of the Board of Directors
Chester M. Ross 300 East 56th Street New York, New York	Vice President, Secretary and General Counsel
Roben A. Seltzer 332 West 101st Street New York, New York	Vice President, Assistant Secretary and Assistant Treasurer
James Nelson Prudden 650 West 204th Street New York, New York	Assistant Secretary
Dr. Jules J. Haberman 537 Newtown Avenue Norwalk, Connecticut	Director
Norman J. Short 48 Yonge Street Toronto, Ontario, Canada	Director
Carla W. Prudden 409 North Broadway Upper Nyack, New York	Director

Peter A. Hager — Director
2 Lake Road
Short Hills, New Jersey

Dr. Roberts M. Rees — Director
7 Tobacco Road
Weston, Connecticut

Mr. Lourie has been President, Chief Executive Officer, Treasurer and a director of Lescarden since August 1981. Dr. Prudden has been a director of Lescarden since 1969. He became Chairman of the Board of Directors in 1980 and Medical and Scientific Director of Lescarden in September 1981. Dr. Balassa has been a director of Lescarden since 1960 and served as Lescarden's President from 1960 until August 1981 at which time Mr. Lourie became President and Dr. Balassa became Vice Chairman of the Board. Mr. Ross became Secretary in April 1981 and Vice President and General Counsel in October 1981. Mr. Seltzer became Assistant Secretary in April 1981 and became Vice President and Assistant Treasurer in August 1981. Dr. Haberman and Mr. Short have been directors of Lescarden since 1980. Carla Prudden has been a director of Lescarden since 1978. Mr. Hager and Dr. Rees became directors of Lescarden in August 1981.

Dr. Prudden (age 61) holds the degree of Doctor of Medicine from Harvard University and Doctor of Mecical Science from Columbia University. From 1954 to 1975, Dr. Prudden was an Associate Professor of Clinical Surgery at Columbia Presbyterian Medical Center and a consultant in surgery at Harlem Hospital and Visiting Surgeon at Delafield Hospital. Since November 1975, he has been associated with Nyack Hospital, Nyack, New York, and Doctors Hospital and Roosevelt Hospital in New York City. He is also a consultant in surgery at Helen Hayes Rehabilitation Hospital. He presently maintains a medical practice in New York City.

Mr. Lourie (age 55) is a graduate of Princeton University and the University of Michigan Law School and was awarded a Master of Fine Arts degree from Columbia University. From 1952 to 1955, he was associated with the law firm of Debevoise & Plimpton. From 1956 to 1964, he served as a Vice President and Secretary of St. Joe Minerals. From 1964 to 1968, he served as a Senior Vice President of First National City Bank ("Citibank"). From 1968 to 1976, he served as Chairman and Cheif Executive Officer of Bradford National Corporation. Since 1976, he has been a consultant. Mr. Lourie has served as a director of Bradford National Corporation, Pine Street Fund, Novo Corporation and the Opthalmic Research Institute.

Dr. Balassa (age 78) holds a Ph.D. in chemistry and chemical engineering from the University of Vienna in Austria and has done post-doctoral work at Iowa State College, Ames, Iowa. He was a founder and President of Balchem Corporation, a publicly-held corporation specializing in the encapsulation of various materials and was with that company from 1966 to 1972. He also worked as a research chemist at United Piece Works and at E.I. Du Pont deNemours and was Research Director at United States Finishing Company, Executive Vice President of Aula Chemicals, Inc. and Manager at Textile Pigment Laboratories of Geigy Chemical Corporation.

Mr. Ross (age 64) has been engaged in the practice of law in New York City for the past three and a half years. Prior to resuming his law practice, Mr. Ross was Chairman, President and Chief Executive Officer of Novo Corporation, a public company.

Mr. Seltzer (age 25) is a 1979 graduate of Columbia University (magna cum laude) and joined Lescarden as an Administrative Assistant in 1981.

Dr. Haberman (age 60) has been Assistant to the President of University Patents, Inc. (a technology transfer company serving university clients) since 1976 and is a specialist in characterizing, appraising and licensing technology in the life sciences field. Prior to joining University Patents, Inc., Dr. Haberman was Executive Director and a principal of Lamar Research Group, a medical product research and development company. He holds the degree of Doctor of Veterinary Medicine from the College of Veterinary Medicine and Agriculture at Cornell University.

Mr. Short (age 51) has been associated since 1960 with Guardian Capital Group Limited, a public Canadian company which, through subsidiaries, manages its own and its clients' fiduciary assets. Since 1964, he has been President of that company. He holds a Master of Arts degree from Oxford University.

Mrs. Prudden (age 51) is a registered nurse and has actively assisted her husband, Dr. Prudden, for more than the past five years in compiling date regarding investigative work. She is a graduate of the University of Toronto and the Toronto General Hospital School of Nursing.

Mr. Hager (age 51) is a graduate of Princeton University and the Harvard Graduate School of Business Administration. He was an Associate in Corporate Finance with Goldman, Sachs & Company from 1953 to 1964. From 1965 to 1972, he was a General Partner and from 1973 to the present a Limited Partner and Consultant of Goldman, Sachs & Company. He serves as a director of Analog Devices, Inc., John Blair & Co., Dennison Manufacturing Company, Empire Airlines, Inc. and Syracuse Supply Company. Mr. Hager also serves as a Trustee of Vassar College, the New Jersey Opera and The Kessler Institute of Rehabilitation.

Dr. Rees (age 61) is a graduate of Duke University and Temple University School of Medicine. From 1958 to 1964, he was employed by Charles Pfizer & Co., Inc. From 1964 to 1973, he served in various medical capacities with Sterling Drug, Inc. From 1973 to 1974, he was Director of Clinical Research-International Medicine at Hoechst Pharmaceuticals, Inc. In 1975, Dr. Rees became Director of Medical Affairs at Clinical Resources, Inc. and in 1978 became that company's President. He has served as a Clinical Instructor in Internal Medicine at the University of Michigan and at the U.C.L.A. Medical Center.

Mr. Hager also serves as a Trustee of Vassar College, the New

Use of Proceeds

The aggregate maximum subscriptions for the Partnership are $3,200,000 and the minimum are $640,000 ($627,200 if Option I is chosen).

The table below sets forth the types of expenses for which the proceeds of this Offering will be employed together with the estimated percentage of the funds obtained from the offering made hereby which will be applied to the respective categories of expenses.

Types of Expenses	Maximum Amount	Percentage	Minimum Amount	Percentage
Total Subscriptions of Limited Partners	$3,200,000	100%	$ 640,000	100%
Administration Fee, payable to General Partner	$ 75,000	2.4%	$ 75,000	11.7%
Commissions & Syndication Costs	$ 320,000	10%	$ 64,000	10%
Organizational Fees, Printing, Miscellaneous Offering Costs	$ 60,000	1.9%	$ 30,000	4.7%
Legal, Accounting Start-up Costs	$ 30,000	.9%	$ 30,000	4.7%
Payments to Lescarden for Patent Rights	$ 25,000	.8%	$ 25,000	3.9%
Payments for Research and Development Including Allowance of Lescarden's Overhead	$2,535,000	79.2%	$ 355,000	55.5%
Remaining Proceeds Available for Partnership Operating Expenses and Internal Charges	$ 155,000	4.8%	$ 61,000*	9.5%

The allocation of expenditures set forth above may vary considerably from the estimates. Variations may be caused by a number of factors including success or failure of individual research programs, the number of investors choosing Option I or II increased costs and higher interest rates for Partnership borrowings. It is possible that there will not be sufficient funds to complete some or all of the research projects.

*This figure shall be reduced to $48,200 if the minimum number of units are subscribed for and all investors chose payment Option I.

Participation in Profits and Losses

Generally, the allocation among the Partners of profits and losses will be made as described herein regardless of whether the IRS asserts or determines that they are or are not currently deductible by the Partners to whom they are allocated and notwithstanding enactment of legislation modifying current Federal income tax law with respect to their deductibility or non-deductibility by such Partners.

Partnership property, profits, losses and distributions will be allocated 99% to the Limited Partners, and 1% to the General Partner. It is anticipated that all income and royalties received by the Partnership, after deducting expenses and reserves, will be distributed to the Partners. The warrants will be allocated to each Limited Partner on the basis of 30,000 warrants for each full unit purchased. Warrants will be distributed pro rata as the Partnership contributions are made. In the event a Limited Partner wishes to exercise all or a portion of the warrants still being held by the Partnership, same will be released simultaneously with the exercise of warrant.

Allocation of Interest for Option II Investors

A Limited Partner electing payment Option II shall be allocated that portion of income to the Partnership attributable to interest on his promissory notes and shall be allocated those costs equal to the interest payable by the Partnership on borrowings secured by the Limited Partners' letters of credit.

The General Partner

Dr. John F. Prudden (age 61) holds the degrees of Doctor of Medicine from Harvard University and Doctor of Medical Science from Columbia University. From 1954 to 1975, Dr. Prudden was an Associate Professor of Clinical Surgery at Columbia Presbyterian Medical Center and a consultant in surgery at Harlem Hospital and Visiting Surgeon at Delafield Hospital. Since November 1975, he has been associated with Nyack Hospital in New York City. He is also a consultant in surgery at Helen Hayes Rehabilitation Hospital. He presently maintains a medical practice in New York City. Dr. Prudden is the discoverer of Catrix® and is named as the inventor on all of Lescarden's patents with respect to Catrix. Dr. Prudden is also one of the original founders of Lescarden and is Chairman of the Board and Medical and Scientific Director of Lescarden. Dr. Prudden also is the holder of in excess of 11% of the stock of Lescarden (282,340 shares).

Compensation and Other Benefits to the General Partner

In addition to his share of Partnership property, profits, losses and distributions (see "Participation in Profits and Losses"), the General Partner will receive the following compensation and benefits; an administrative and management fee of $25,000, per year, starting in 1982. This fee will be payable from the proceeds of the Limited Partners' capital contributions for the first three years and thereafter from available partnership funds, if any. (see "Use of Proceeds").

Death, Withdrawal or Removal of General Partner - Substitute General Partner

The Partnership Agreement provides that the General Partner may not withdraw from the Partnership, except by reason of disability or illness, prior to January 1, 1985. In the event the General Partner dies, becomes disabled, or withdraws after January 1, 1985, his interest in Partnership property, profits, losses and distributions will be retained as a Special Class Limited Partner by him or his estate. If he withdraws from the Partnership prior to January 1, 1985, in violation of the

Partnership Agreement, his interest in Partnership property, profits, losses and distributions will be foreited and allocated to the Substitute General Partner described hereinbelow.

The Partnership has entered into an agreement with Dr. Leslie L. Balassa, Vice Chairman of Lescarden, to act as substitute General Partner of the Partnership in the event of the death, incompetency or withdrawal of Dr. Prudden. The Substitute General Partner will be allocated a 1% interest in Partnership property, profits, losses and distributions, which shall accrue pro rata from each of the Limited Partners, or in the event Dr. Prudden withdraws in violation of the agreement, then his interest shall be allocated to the Substitute General Partner.

In the event of the death, incompetency or withdrawal of the General Partner, the Limited Partners, by majority vote, may elect to either terminate the Partnership or admit the Substitute General Partner.

Fiduciary Responsibility of General Partner

The General Partner is accountable to the Partnership as a fiduciary and consequently, must exercise good faith and integrity in handling Partnership affairs. Where the question has arisen, the courts have held that a limited partner may institute legal action on behalf of himself and other limited partners similarly situated (class action) to recover damages for breach by a general partner of his fiduciary duty or on behalf of the partnership (derivative action) to recover damages from third parties. Cases by Federal courts may also be construed to support rights of a Limited Partner to bring such actions under Rule 10 b-5 of the Securities Exchange Act of 1934 for recovery of damages (including loss in connection with purchase or sale of a Unit) resulting from breach by a General Partner of his fiduciary duty. The foregoing is a very brief summary involving a rapidly developing and changing area of the law. Limited Partners who believe a breach of fiduciary duty by a General Partner has occurred should consult their own counsel.

The Partnership Agreement indemnifies the General Partner against liability for losses to the Partnership resulting from errors in judgment or other acts or omissions, whether or not disclosed, unless bad faith, fraud or gross negligence is involved. As a result, a purchaser of Units may have a more limited right of action than he would otherwise have on purchase of Units absent the limitation of this Agreement.

In the opinion of the Securities and Exchange Commission, indemnification for liabilities arising under the Securities Act of 1933 is against public policy and unenforceable.

CONFLICTS OF INTEREST

By its nature, the formation of a research and development program by a company involved in the business involves potential conflicts of interest which cannot be totally eliminated. The fact that the General Partner has other business relationships with various entities involved with the Partnership also gives rise to conflicts of interest which cannot be totally eliminated. The General Partner's decisions may affect his interests differently than those of the Limited Partners.

The following discussion describes some of the instances under which conflicts of interest may arise.

The General Partner will devote only so much of his time to the business of the Partnership as in his judgment is reasonably required. The General Partner will have conflicts in allocating his time among the Partnership and present or any future partnerships in which he may act as general partner, as well as other business ventures in which he may be involved. Nevertheless, the General Partner believes he is fully capable of discharging his duties to the Partnership.

The General Partner is a practicing physician and has a long standing relationship with Lescarden. The General Partner derives a substantial portion of his income for services to Lescarden. In addition he is Chairman and Medical & Scientific Director, as well as a large stockholder of Lescarden. Thus, there is a possibility that the General Partner will be in a conflict of interest situation when dealing with Lescarden on behalf of the Partnership.

Lescarden is currently funding research projects involving Catrix and may participate in other projects in which the Partnership is not participating. Since the Partnership anticipates that all of its research opportunities will be derived from Lescarden, a potential conflict of interest may arise.

The Partnership will be primarily relying upon Lescarden to supervise its research and development activities and to recommend whether or not to continue funding a project or to terminate it. Since Lescarden's participation in revenues will arise only in the event that a project is completed, a potential conflict of interest may arise.

A General Partner is accountable to a limited partnership as a fiduciary and consequently must exercise good faith and integrity in handling partnership affairs. This is a rapidly developing and changing area of the law and Limited Partners who have questions concerning the duties of the General Partner should consult with their counsel.

FEDERAL INCOME TAX CONSEQUENCES

It is not possible to predict the effect on each Investor's personal tax liability of the provisions to be discussed in this section. EACH INVESTOR SHOULD SEEK, AND MUST DEPEND UPON, THE ADVICE OF HIS TAX ADVISORS, TAX COUNSEL OR ACCOUNTANT WITH RESPECT TO HIS INVESTMENT IN THE LIMITED PARTNERSHIP (and is responsible for the fees of such advisors, counsel and accountants).

Limited Partners should note that there is a significant possibility that the Partnership's tax returns will be examined by the Internal Revenue Service. In this

with Lescarden on behalf of the Partnership.

regard, the Service recently has indicated its intention to increase the number of audits of tax returns filed by so-called "tax shelter" partnerships. The Service has stated that it intends to examine tax returns of 25% of the partnerships reporting losses in excess of $25,000. The returns of the Partnership are expected to show losses in excess of $25,000 for at least the first three years of Partnership operations and, therefore, it is anticipated that the Partnership's returns will be included in this audit category. Any adverse determination following an audit of the Partnership's return would result in proposed adjustments to the returns of the Limited Partners. Such adjustments also could result in audits of the Limited Partners' returns and adjustments of non-partnership, as well as Partnership, items of income, gain, loss, deduction or credit.

The following discussion is intended only to summarize the relevant principles of Federal income taxation and is based upon applicable current provisions of the Internal Revenue Code of 1954, as amended (the "Code"), Treasury Regulations and judicial and administrative interpretations, all of which are subject to change. EACH PROSPECTIVE INVESTOR SHOULD CONSULT HIS OWN TAX ADVISORS WITH RESPECT TO THE FEDERAL, STATE AND LOCAL CONSEQUENCES OF HIS PARTICIPATION IN THE LIMITED PARTNERSHIP.

Partnership Status

The Partnership has not applied and does not intend to apply for a tax ruling from the Internal Revenue Service as to its status as a Partnership for Federal income tax purposes. The Partnership will receive an opinion from tax counsel that the Partnership will be classified as a Partnership for Federal income tax purposes. This opinion will not be binding on the Internal Revenue Service, however, and it is possible that the Service may classify the partnership as an association taxable as a corporation for Federal income tax purposes. Should the Partnership be classified as an association taxable as a corporation, the investors would be treated in a manner similar to corporate shareholders and as such would not be entitled to deduct their share of the Partnership losses or the allowance for depletion, and correspondingly the investors would not taxed on the income of the Partnership unless distributed to them (See "RISK FACTORS").

Taxation of the Limited Partners

Under the Code, a Partnership is not a taxable entity. Each partner, however, will be required to report on his Federal income tax return his distributive share of Partnership income, gain, loss, deduction or credit as established by the provisions of the Partnership Agreement whether or not any distribution is actually made to such Partner during the taxable year. Each Partner may, therefore, be subject to tax on his distributive share of any Partnership income even though no cash distribution is made.

Partnership Allocation

With respect to the validity of the allocations of income, gain, loss, deductions or credits (or item thereof) made in the Partnership Agreement, Code Section 704, as amended by the Tax Reform Act of 1976, provides that the allocation made in the Agreement shall be determinative unless the allocation does not have substantial economic effect. If an allocation made by the Partnership is set aside, a partner's share of income, gain, loss or deduction will be determined in accordance with his

corporation, the investors would be treated in a manner

interest in the Partnership. Among the relevant factors to be taken into account in determining this interest are interests of the respective Partners in profits and losses (if different from that of taxable income or loss), cash flow and rights to distributions of capital upon liquidation. Although counsel has not given an opinion as to whether the allocations set forth in the Agreement have substantial economic effect, the following factors might indicate that such effect is present: (i) the allocation actually affects the dollar amount of the Partners' share of the total income and loss; (ii) the Agreement provides for general allocations of all items and not special allocations of specific items; and (iii) generally, the allocations are for the duration of the Partnership.

The manner in which the Partnership Agreement allocates the tax items among the Partners is summarized under "PARTICIPATION IN PROFITS AND LOSSES".

The Internal Revenue Service may challenge the allocations under the Partnership Agreement. In the event of any such challenge, the issue may have to be resolved by litigation which could thereby result in additional costs to the Partnership and the Limited Partners.

If a Limited Partner transfers his interest in the Partnership, the distributive share of Partnership income, gain, loss, deduction or credit for the entire year allocable to such interest will be allocated between the transferor and the transferee based upon the period of time during the taxable year that each owned such interest.

Tax Basis

A Partner is generally permitted to offset his distributive share of Partnership loss against income derived from other sources. However, a Partner's distributive share of Partnership loss is not allowed as a deduction to the extent it exceeds the adjusted basis for his Partnership interest at the end of the year in which the loss arises. Any loss so disallowed, however, will be allowed as a deduction in subsequent years to the extent that the Partner's adjusted basis for his limited partnership interest at the end of any such year exceeds zero (before reduction for such loss for such year). Generally speaking, a Partner's basis for his partnership interest consists of the price he paid for his interest plus his distributive share of the taxable income of the Partnership and decreased (but not below zero) by his distributive share of the deductions of the Partnership and any distributions received by him from the Partnership. No assurance can be given that the Internal Revenue Service will not challenge the inclusion of the face amount of the Investors' Promissory Notes as part of his basis. If this challenge is successful, the adjusted basis in the initial year could be limited to the amount of cash contributed. Additionally, under present law, the adjusted basis of a Limited Partner's interest in the partnership will be increased by his share of Partnership indebtedness. A Limited Partner's share of indebtedness is determined in accordance with his ratio for sharing losses under the Partnership Agreement, not to exceed, however, the difference between his actual contribution and his total agreed-upon capital contribution. Any decrease in the amount of Partnership liabilities will be treated as a cash distribution to the Partners in an amount proportional to their share of the decrease, and to the extent that the amount of this decrease exceeds a Partner's adjusted basis, it will result in the recognition of gain which may be taxed as ordinary income.

Termination of Partnership

Under the Code, a Partnership will be considered as terminated for tax purposes if within a twelve-month period there is a sale or exchange of 50 percent or more of the total interest in the Partnership capital and profits. Any termination of the Partnership would have the tax effect of a deemed distribution of Partnership property to the Partners and a recontribution of the property by them to the Partnership. The Partnership Agreement prohibits the transfer of Limited Partnership Interests without the consent of the General Partner.

Deductibility of Expenses

In addition to the research and development expenditures, it is anticipated that the Partnership will deduct certain fees to be paid and expenditures made. These fees and expenses include: legal fees for tax advice, accounting fees, etc. (see "USE OF PROCEEDS.")

The Partnership will seek to deduct all items that are properly deductible as early as the law permits, however, there are many factual and legal questions affecting the availability, amount and timing of specific deductions (e.g. the deduction for fees paid generally will be allowable to the extent they are considered reasonable in amount and as ordinary and necessary business expenditures rather than capital expenditures). Should certain of the deductions be successfully challenged by the Internal Revenue Service,, either as to their allowability or timing, the tax losses of the Partnership could be substantially reduced. Under the Tax Reform Act of 1976, partnership, syndication, and organization fees may not be currently deducted, although the partnership may elect to amortize organizational fees (but not syndication fees) over a five-year period. If any amounts paid or incurred are held to be organizational expenditures or syndication fees, they will be affected by this new provision.

Deduction of Losses by New Investors Admitted to the Partnership

The Tax Reform Act of 1976 provides that the income or losses of a partnership will be allocable to a partner only for that portion of the year in which he is a member of the partnership and not retroactively to periods prior to his entry. Accordingly, no part of losses or expenses allocable to any period preceding the entry of any Partner may be allocated to him. ACCORDINGLY, EACH PARTNER SHOULD BE ADVISED THAT HIS ALLOCABLE SHARE OF PARTNERSHIP LOSSES DURING THE YEAR OF HIS ADMISSION TO THE PARTNERSHIP WILL INCLUDE ONLY THOSE LOSSES WHICH WERE INCURRED SUBSEQUENT TO HIS ENTRY TO THE PARTNERSHIP.

Activities Not Engaged in for Profit

The Code (Section 183) provides generally that if an activity is not engaged in for a profit, deductions attributable to the activity will be allowable only to the extent that (i) they would be allowable under other Sections of the Code without regard to whether the activity is engaged in for a profit (e.g. interest deduction

syndication fees may not be currently de-

under Section 163, realty taxes under Section 164), and (ii) they do not exceed an amount equal to the difference between the gross income derived from the activity less the deductions allowable under (i) above. Under the Code, an activity is presumed to be engaged in for a profit if the gross income from the activity exceeds the deductions attributable to the activity for two of the five taxable years ending with the current taxable year. Although it is anticipated that the Limited Partnership will be a profit-making enterprise, the Limited Partners may not be able to benefit from this presumption due to the expectation that deductions will exceed gross income in the early years of operations. Section 183 could be applied to the Partnership activities or to the Limited Partners' investment objectives, notwithstanding any profit objective of the Partnership. If so applied, the tax benefits anticipated in the early years of the Partnership could be substantially diminished.

Excess Investment Interest and Interest Expense Relating to Tax Exempt Income

Section 163 of the Code substantially limits the deductibility of interest expense incurred to acquire or carry property held for investment. Should the Limited Partnership interests be considered investment property, the limitations imposed by this Section may affect the deductibility of any interest expense incurred by any Limited Partner to the extent borrowed funds were used to acquire his interest in the Partnership.

Additionally, the limitation may apply to the interest expense incurred by the Partnership should the research project be considered as property held for investment by the Partnership rather than as a trade or business of the Partnership. There can be no assurance that the projects will not be classified as investment property and thus limit the amount of interest expense incurred by the Partnership and passed through to the Limited Partners as a deduction.

Section 163(d) limits an individual taxpayer's deduction for interest expense incurred with respect to property held for investment to (i) $10,000 ($5,000 in the case of married taxpayers filing separate returns), plus (ii) the taxpayer's net income from investments, plus (iii) the amount (if any) by which certain deductions attributable to property subject to a net lease exceed the rental income from such property. The individual investors should carefully study their own situation as to the applicability of this Section.

"At-Risk " Limitation for Losses

A Limited Partner of a Partnership shall be allowed to deduct losses only to the extent the taxpayer is "at risk" with respect to the activity at the close of the year in question. The Internal Revenue Service recently issued proposed regulations relating to the determination of amounts considered "at risk". Pursuant to the proposed regulations, an investor may not be considered "at risk" to the extent of future contributions payable to the Partnership. There can be no assurance that the Internal Revenue Service will not limit a Limited Partner's amount of cash he actually contributes to the Partnership, and any Limited Partner's share of Partnership

[illegible] of business of the Partnership. There can

losses in 1981 in excess thereof, as in the case of Limited Partners issuing Promissory Notes, will be deductible, if available, in the year or years when any such Promissory Notes are actually paid. Accordingly, each prospective investor should consult with his own personal tax advisor as to the income tax risks of the proposed regulation. (see "FEDERAL INCOME TAX CONSEQUENCES").

Management Fee

The Tax Reform Act of 1976 amended Section 707(c) of the Code to provide that payments to a partner determined without regard to the income of the partnership are deductible only if they are ordinary and necessary business expenses and not otherwise required to be capitalized. The Service has taken the position that the deductibility of fees paid to a general partner of a limited partnership (as guaranteed payments) would be determined by the nature of the services rendered.

The General Partner will be paid a non-recurring management fees from the proceeds of this Offering. To the extent the General Partner determines that all or a portion of such fee is deductible under current law, it will cause the Partnership to claim such deduction. There can be no assurance, however, that the Service will not challenge the deduction or, in the event of such a challenge, that the Service's position will not be upheld.

Cash Distributions

Cash distributions by the Partnership to a Partner will not result in taxable income to such Partner unless they exceed the adjusted tax basis for his Partnership Interest, in which cases the Partner will recognize gain in the amount of such excess. A reduction in a Partner's share of Partnership indebtedness for which no Partner is personally liable will be treated as a cash distribution to him to the extent of such reduction. A reduction in a Partner's share of profits will result in a reduction in his share of Partnership indebtedness for which no Partner is personally liable.

Treatment of Organization and Syndication Fees

The Tax Reform Act of 1976 has added Section 709 to the Code. This section provides that no deduction will be allowed for amounts paid or incurred to organize a partnership or to promote sale of an interest therein, except that for taxable year beginning after December 31, 1976 amounts paid or incurred to organize a partnership may at the election of the partnership be treated as deferred expenses. These deferred expenses may be deducted ratably over a period of not less than 60 months.

Organization expenses are defined as expenditures which are: (i) incident to the creation of the partnership; (ii) chargeable to capital account; and (ii) are of a character which if expended incident to the creation of a partnership having an ascertainable life would be amortized over such life. It is anticipated that the fee payable to Stires & Company will not be considered an organizational expense but a non-deductible syndication fee.

Sale of Partnership Interests

The sale of a Limited Partner's interest in the Partnership held for more than one year would, in general, result in the recognition of long term capital gain (or loss). The exception would be amounts attributable to the Selling Partner's share of unrealized receivables and substantially appreciated inventory, which are taxable at ordinary income rates.

The amount of gain (or loss) realized on the sale of a Partnership interest will be, in general, the excess of the sale price, plus the Selling Partner's share of Partnership liabilities of which he has been relieved, over the adjusted tax basis of his Partnership interest.

Liquidation of a Partnership

If the Partnership were to be liquidated, any gain or loss recognized by reason of a distribution to the Partners generally will be considered as gain or loss from the sale or exchange of a capital asset, except to the extent of unrealized receivables (including depreciation and development costs required to be recaptured) and substantially appreciated inventory items. Gain to the Partners on the distribution will be recognized to the extent any money received (including a reduction in a Partner's share of Partnership liabilities for which no Partner is personally liable) exceeds the Partner's adjusted basis of his Partnership interest. Loss will not be recognized unless the Partner receives no other property in the distribution other than money, unrealized receivables or substantially appreciated inventory, and then only to the extent that money and the basis to the Partner (as determined under Code Section 732) of unrealized receivables or substantially appreciated inventory are less than the adjusted basis of his Partnership interest. Generally, the basis to a Partner of any property distributed in kind is equal to his adjusted basis for his Partnership interest, less any money received in the distribution.

Research and Experimental Expenditures

Under the Partnership Agreement, the General Partner is required to cause the Partnership to elect under Section 174 of the Code to treat research or experimental expenditures as an expense which is not chargeable to capital account and to deduct such expenditures as paid or incurred. Assuming that a proper election is made, "research and experimental expenditures" (which term generally includes amounts paid or incurred in connection with a taxpayer's trade or business for research and development in the experimental or laboratory sense, such as costs incident to the development of an experimental or pilot model, a plant process, a product, a formula, an invention or similar property and the improvement of already existing property of the type mentioned) may be currently deducted for Federal income tax purposes. Deductions for research and experimental expenditures are allowed only when such expenditures are incurred "in connection with the taxpayer's trade or business". In this regard it is possible that the Service might assert that the Partnership should not be considered to be engaged in a trade or business at the time the expenditures are incurred and, accordingly, that such expenditures are not eligible for treatment under Section 174 of the Code. If such position were to be successfully asserted, a substantial portion of the contemplated expenditures by the Partnership might not be allowable as current deductions to the Partnership.

less than the adjusted basis of his Partnership interest. Generally,

Although under current law research and experimental expenditures may be deductible as paid or incurred (assuming a proper election is made), there can be no assurance that the expenditures planned by the Partnership will be treated as deductible "research and experimental expenditures" or that the law will not change, with or without retroactive effect, to reduce or eliminate the tax deductions presently afforded under the Code.

The Partnership will engage Lescarden to perform or cause to be performed research and development with respect to Catrix. The contractual arrangement between Lescardent and the Partnership (the "Research Agreement") will require Lescarden to use its best efforts to place the research projects designated by the Partnership with the funds available. The Partnership contemplates expending all available funds for research and development (see "Use of Proceeds"). However, the ability of the Partnership to expend such funds is to a great extent dependent upon the ability of Lescarden to subcontract the required research projects. Therefore, there can be no assurance that the research projects will be available for funding when and in the amount required by the Partnership. Accordingly, the Partnership's deductions for research and experimental expenses may not arise until subsequent years, if at all.

Lescarden has represented that university and other research centers will generally seek assurances that Lescarden will have sufficient funds available before agreeing to commit researchers and laboratory facilities for a project. It is anticipated that Lescarden will be required by the universities and/or research centers to demonstrate financial ability to meet its commitments. Accordingly, the Research Agreement will require payment in full by the Partnership to Lescarden prior to the commitment of any research project. In the event that any such project is subsequently prematurely terminated and there are funds remaining, Lescarden will be required to make these funds available for other projects designated by the Partnership. However, no portion of said excess funds will be refunded to the Partnership under any circumstances.

It is anticipated that the Partnership will report its income and losses for Federal income tax purposes on the cash method of accounting and the General Partner will elect to deduct the payments to Lescarden for research when paid. Since it is unlikely that Lescarden will expend all of these funds in 1982, the IRS may challenge the deductibility of the payment to Lescarden in 1982 on the ground that is is a prepaid expense for services to be rendered in future years and that such payment is without proper business purposes which results in a material distortion of income.

In this connection, recent authorities (see, for example, Revenue Ruling 78-30, 1978-1 C.B. 133) indicate the position of the Service that, in certain circumstances, current expenditures made by a cash basis taxpayer will not be deductible when the income associated with such expenditures is to be received in subsequent years. Although these authorities did not involve the deductibility of research and experimental expenditures, which Section 174 of the Code specifically permits as a deduction, there can be no assurance that if a court were presented with the question, it would not hold that a current deduction for such expenditures results in a material distortion of income and thus require the expenditures to be deducted in later years as the income associated with them is generated.

require payment in full by the Partnership to

It should be further noted that the IRS may take the position that the relationship between Lescarden and the Partnership is a joint venture since both entities will be sharing licensing revenues, if any, generated by the Catrix research. If this position is upheld, the payment to Lescarden under the Research Agreement may be deemed to be non-deductible contributions to the joint venture.

Treatment of Lescarden Warrants and Patent Rights Obtained from Lescarden

Under the terms of the Offering, investors are purchasing Limited Partnership Interests in the Partnership which, in turn, will own warrants to purchase the stock of Lescarden, ("Lescarden Securities"). Under certain circumstances, the General Partner will be required to make distributions of the warrants to the Limited Partners. As a result of these distribution provisions, the Internal Revenue Service may attempt to recharacterize the transaction as a purchase by each Limited Partner of a Limited Partnership Interest and Lescarden Securities. This recharacterization could result in a loss of tax basis in the investors's Limited Partnership Interest and a concomitant reduction in the maximum amount of the Partnership's taxable loss that would be deductible by the investor. Alternatively, the Internal Revenue Service might assert that some or all of the Partnership's payments to Lescarden were in the nature of a non-deductible capital contribution and not a research or experimental expenditure. The Partnership will obtain from Lescarden, certain of Lescarden's patent rights with respect to Catrix. The Internal Revenue Service might assert that some or all of the Partnership's payments to Lescarden were made in payment for the above rights and thus would not be deductible as research and experimental expenditures.

Other Tax Aspects

Depending on the location of Partnership business and on applicable state and local laws, deductions which are available to the Limited Partners for Federal income tax purposes may not be available for state or local income tax purposes. Furthermore, the tax treatment of particular items under State or local income tax laws may vary materially from Federal income tax treatment.

Research Tax Credit

The Economic Recovery Tax Act of 1981 contains a tax credit for research expenditures. In order to qualify, the expenditures must be paid or incurred in carrying on any trade or business of the taxpayer. The tax credit is a non-refundable credit of 25% for certain incremental expenditures paid or incurred after June 30, 1981. Qualifying expenses include research wages and supplies and costs of personal property used in research activities. Unused credit will carry back for three years and forward for fifteen years.

In the case of individuals, the credit is available only to offset income tax attributable to income from the trade or business in which the research expenditures were incurred. It is anticipated that the Partners of the Partnership would be unable to take advantage of this credit in the early years of the program, if at all.

In addition, the Partnership may operate in states and localities which impose taxes on Partnership assets or income, or on each Partner on his share of income derived from Partnership activities in such jurisdictions. Also, to the extent that the Partnership operates in such jurisdictions, estate or inheritance taxes may be payable therein on the death of a Limited Partner. Accordingly, a Limited Partner might be subject to income, estates or inheritance taxes in states or localities in which the Partnership does business, as well as in his own state and locality of residence or domicile.

Tax Elections

Various elections affecting the computation of Federal income tax deductions and taxable income derived from the Partnership must be made by the Partnership and not by the individual Partners. For purposes of reporting each Partner's share of Partnership income, gains and losses, the Partnership's elections are binding upon the Partners. The Partnership will elect to expense and deduct research and development costs. The Partnership will elect to use the available depreciation method which, in the General Partners' judgment, is in the best interest of the Partners. The Partnership will use the calendar year as its fiscal and taxable year. The books and records of the Partnership will be kept on either the cash receipts and disbursements method or the accrual method, as determined by the General Partner Upon the transfer of all or part of a Limited Partner's interest, or upon the distribution of Partnership property to any Partner, the Partnership may not file any election in accordance with applicable Treasury Regulations, to cause the basis of the Partnership property to be adjusted for Federal income tax purposes as provided by Sections 734 and 743, respectively, of the Internal Revenue Code of 1954, as amended.

Tax Returns and Tax Information

The Partnership will file a tax return on the calendar year basis and as soon as practicable after the close of each year the Partnership will furnish to each Limited Partner not in default in payment of any installments a copy of the Partnership Schedule K-1 indicating the Partner's distributive share of tax items. The tax information will not be available to an assignee of any Partner unless the Partnership is informed of the assignment and approves the same. The information return filed by the Partnership is subject to an audit by the Internal Revenue Service and such audit may result in adjustments to the tax returns of the Partners as well as to the Partnership.

Possible Changes in Federal Income Tax Laws

As noted throughout the discussion of Federal Income Tax consequences of this transaction, the Tax Reform Act of 1976, the Revenue Act of 1978 and the Economic Recovery Tax Act of 1981 made several significant changes in the income tax law which have a profound effect on limited partnerships. Because this law has been so recently

the Partnership property to be adjusted for Federal income

enacted, law has been so recently enacted, there are as yet no administrative interpretations or decisions which can guide a taxpayer as to how this law will be interpreted. Accordingly, there are many unanswered questions in regard to these changes and many areas of uncertainty. EACH INDIVIDUAL INVESTOR SHOULD CAREFULLY CONSULT HIS PERSONAL TAX ADVISOR AS TO THE EFFECT OF THESE SECTIONS IN HIS TAX SITUATION.

The aforementioned Acts were enacted after a lengthy legislative process which considered these and many other proposals which would seriously affect the taxation of limited partnerships. Inasmuch as many commentators have suggested the need for further tax legislation, there can be no assurance that any of the proposals which were discussed and not enacted will not be reintroduced and enacted at a later date. Additionally, there is always the possibility that new legislative proposals would be introduced which could affect this transaction.

EACH INVESTOR SHOULD CONSULT WITH HIS OWN TAX ADVISOR AS TO THE STATUS OF ALL PROSPECTIVE LEGISLATION AND THE POSSIBLE EFFECTS ON HIS OWN TAX SITUATION.

THE FOREGOING IS A SUMMARY OF THE MORE PERTINENT PROVISIONS OF CURRENT FEDERAL INCOME TAX LAW AS IT RELATES TO THIS OFFERING. THE SUMMARY IS NOT, AND IS NOT INTENDED TO BE, A COMPLETE ANALYSIS OF SUCH LAW OR OF ANY PROPOSED LEGISLATION, AND PROSPECTIVE LIMITED PARTNERS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS FOR ADDITIONAL INFORMATION CONCERNING ALL SUCH LEGISLATION, ITS POTENTIAL IMPACT ON THIS OFFERING AND THEIR INDIVIDUAL TAX NEEDS, SINCE CERTAIN OF THESE PROPOSALS COULD LIMIT OR ELIMINATE THE INCOME TAX BENEFITS OBTAINABLE FROM THE OWNERSHIP OF LIMITED PARTNERSHIP INTERESTS.

REPORTING, ACCOUNTING AND AUDITING

The General Partner will maintain books and records of account which will be kept in accordance with the method used for Federal income tax reporting purposes. The books of the Partnership will be audited annually by a firm of independent public accountants chosen by the General Partner. The fiscal year of the Partnership will be the calendar year or a fiscal year to be determined by the General Partner and, in the discretion of the General Partner, accounts will be maintained on either the accrual basis or cash receipts and disbursements basis.

Limited Partners will be kept informed of the activities of the Partnership through periodic reports including timely and pertinent tax information, research, experimental and licensing reports and other material information.

The General Partner shall have no obligation or duty to disclose to the Limited Partners information deemed confidential or information which is the result of research until such time as public disclosure of this information has been made.

ACCESS TO BOOKS AND RECORDS

The books and records of the Partnership will be maintained at its principal place of business and will be available upon reasonable notice for inspection by Limited Partners or their representatives at reasonable hours during the business day.

SUPPLEMENTAL SALES LITERATURE

Neither the General Partner nor the Partnership has prepared or authorized for distribution to potential investors in connection with this offering any supplemental sales literature or other supplemental written material of any kind. The offering of Units is made solely by this Memorandum.

OTHER MATTERS

This Memorandum does not propose to restate all of the relevant provisions of the documents referred to or relevant to the matters discussed herein, all of which must be read for a complete description of the terms of the matters relevant to the purchase of Units. Each prospective investor, and his offeree representative, if any, is invited to ask questions of, and receive answers from the General Partner, and to obtain such information concerning the terms and conditions of the offering, to the extent such persons possess the same or can acquire it without unreasonable effort or expense, to the extent that such prospective investor and/or his offeree representative, if any, deem necessary to verify the accuracy of the information referred to in this Memorandum.

Attention is directed to the Partnership Agreement and other Exhibits to this Memorandum for a full description of matters which may be described summarily in this Memorandum or which may not be included in the text of the Memorandum.

PENDING OR THREATENED LEGAL PROCEEDINGS

There are, to the best knowledge of the General Partner, no legal proceedings pending against the Partnership, or the General Partner, or LESCARDEN that will adversely affect the financial condition of the General Partner or his ability to carry on the business of the Partnership.

Neither the General Partner nor the Partnership has prepared or authorized for

OFFEREE REPRESENTATIVES

Any prospective investor which the Limited Partnership determines cannot evaluate this investment may be required to designate an offeree representative to evaluate the investment for him. Such persons would only act in this capacity upon submitting to the offeree a full written description of any compensation payable by the Limited Partnership in connection with this offering including a description of the conflict of interest created thereby and any mutual relationship with the Limited Partnership or affiliates. Offerees will be required to specifically designate in writing the offeree representative and to acknowledge in connection therewith full receipt of any information concerning the compensation of such offeree representative.

LIMITED LIABILITY

The Limited Partnership Agreement provides that no Limited Partner shall be liable for any of the debts of the Limited Partnership or be required to contribute any capital, or lend any funds, to the Limited Partnership in excess of his agreed capital contribution of $160,000 per Unit ($156,800 per Unit if Option I is chosen) nor shall the Limited Partners be liable to the Partnership or be required to restore to the Partnership any deficit in their capital accounts resulting from allocations of losses to the Limited Partners and/or cash distributions to the Limited Partners in excess of their capital contributions and profits allocated to the Limited Partners, except that a Limited Partner would be liable for any cash distributions he has received plus interest, as may be necessary to discharge partnership liabilities to all creditors who extended credit or whose claims arose before such cash distributions.

THE PARTNERSHIP AGREEMENT

THE DESCRIPTION OF THE PARTNERSHIP AGREEMENT CONTAINED IN THIS MEMORANDUM REPRESENTS ONLY A BRIEF SUMMARY OF CERTAIN PROVISIONS OF THE ACTUAL DOCUMENT. FURTHERMORE, ALL OF THE PROVISIONS OF THE PARTNERSHIP AGREEMENT ARE NOT DISCUSSED IN THIS MEMORANDUM. ALL STATEMENTS CONTAINED IN THIS MEMORANDUM RELATING TO THE PARTNERSHIP AGREEMENT ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE PARTNERSHIP AGREEMENT. THEREFORE, EACH PROSPECTIVE INVESTOR SHOULD CAREFULLY READ AND REVIEW THE ENTIRE PARTNERSHIP AGREEMENT WITH COUNSEL, AND NO PROSPECTIVE INVESTOR SHOULD RELY SOLELY ON THE SUMMARY OF SUCH AGREEMENT SET FORTH HEREIN. IN THE EVENT OF ANY DISCREPANCY OR CONFLICT BETWEEN THE TERMS OF THE PARTNERSHIP AGREEMENT AND THE DESCRIPTION OF SUCH TERMS CONTAINED HEREIN, THE TERMS OF THE PARTNERSHIP AGREEMENT SHALL PREVAIL.

The laws of the State of Delaware will control with respect to the organization and operations of the Partnership.

The Partnership books shall be kept in accordance with the cash or accrual method of accounting used for Federal income tax purposes, consistently applied, shall be maintained in the principal office of the Partnership, and shall be available for inspection by the Partners, upon request at any and all reasonable times.

The Partnership Agreement shall become effective upon filing a Certificate of Limited Partnership with the Secretary of State of the State of Delaware and shall remain effective until the date the Partnership is dissolved pursuant to the Delaware Uniform Limited Partnership Act or any provision of the Partnership Agreement.

The Partnership Agreement provides that no Limited Partner has the right to sell, assign or transfer his Interest without the written consent of the General Partner. In addition the Partnership Agreement provides that no Interest may be sold, transferred or assigned in whole or in part if it would cause the termination of the Partnership for Federal income tax purposes, unless all of the Partners agree in writing to such sale, transfer or assignment.

The Partnership shall continue until June 1, 2000, unless sooner dissolved pursuant to the provisions of the Partnership Agreement or Delaware law.

The Agreement provides that the General Partner shall have the sole right to manage the business of the Limited Partnership and that no Limited Partner shall, in his capacity as Limited Partner, participate in or have any control over the business of the Limited Partnership or have any right or authority to act for or bind the Limited Partnership. The General Partner, however, may not sell any substantial part of the Partnership (except in the ordinary course of business of the Limited Partnership), without the prior written consent of the Limited Partners owning a majority in interest of the Limited Partnership interests in the Limited Partnership.

The General Partner, without the consent of the Limited Partners, may make amendments to reflect the admission of additional limited partners, or amendments necessary and appropriate for the purpose of clarification or to satisfy the requirements of the Internal Revenue Code with respect to partnerships or amendments which are necessary to carry on or maintain the purposes of the Partnership or its business,