CONFIDENTIAL
PRIVATE PLACEMENT MEMORANDUM
December 4, 1981

COPY NO._____

DNA LIMITED PARTNERSHIP

A Connecticut Limited Partnership

Private Placement of

A Minimum of $2,250,000
and
A Maximum of $3,750,000

Offered In

Limited Partnership Units of

$150,000

(Payable as set forth herein)

Unless extended, this Offering will terminate on December 21, 1981.

GENERAL PARTNERS. EACH STATEMENT HEREIN IS QUALIFIED IN ITS ENTIRETY BY THE TERMS OF THE ACTUAL DOCUMENT INVOLVED. ALL INFORMATION CONTAINED IN THIS MEMORANDUM WITH RESPECT TO THE TECHNOLOGY, UNIVERSITY GENETICS CO. AND UNIVERSITY PATENTS, INC. HAS BEEN SUPPLIED BY UNIVERSITY PATENTS, INC. NEITHER THE DELIVERY OF THIS MEMORANDUM NOR ANY SALES OF THE UNITS DESCRIBED HEREIN SHALL, UNDER ANY CIRCUMSTANCES, CREATE 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 PARTNERS, 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 INVESTOR.

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 TO THE PERSONAL RECIPIENT OF THIS MEMORANDUM.

ANY DISTRIBUTION OF THIS MEMORANDUM TO ANY PERSON OTHER THAN THE RECIPIENT HEREOF (OR TO THOSE INDIVIDUALS RETAINED TO ADVISE OFFEREE WITH RESPECT THERETO) IS UNAUTHORIZED, AND ANY REPRODUCTION OF THIS MEMORANDUM IN WHOLE OR IN PART, OR THE DIVULGENCE OF ANY OF ITS CONTENTS, WITHOUT THE PRIOR WRITTEN CONSENT OF THE GENERAL PARTNERS 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THIS OFFER CAN BE WITHDRAWN AT ANY TIME BEFORE CLOSING AND IS SPECIFICALLY MADE SUBJECT TO THE CONDITIONS DESCRIBED IN THIS MEMORANDUM.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 PARTNERS RESERVE THE RIGHT TO REJECT ANY SUBSCRIPTION IN WHOLE OR IN PART.

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).

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 DNA LIMITED PARTNERSHIP. P.O. BOX 6080, NORWALK, CT 06852, 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 DNA LIMITED PARTNERSHIP (203) 846-3461, A WRITTEN CONFIRMATION THAT THE REQUEST HAS BEEN MADE SHOULD BE REQUESTED.

GENERAL PARTNERS:

NOVACK MANAGEMENT, INC.
537 NEWTOWN AVENUE
NORWALK, CONNECTICUT 06851

-and-

GENETIC TECHNOLOGY MANAGEMENT, INC.
537 NEWTOWN AVENUE
NORWALK, CONNECTICUT 06851

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(10) 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 Limited Partnership Act of the State of Connecticut, together with and subject to the obligations of such Limited partner to comply with all of the terms and conditions of the Partnership Agreement.

(11) NET LICENSING REVENUES shall mean the total royalties or other consideration received by UPAT, UGEN or the Partnership from licensing or other exploitation of any Technology with respect to which any research or development has been funded in whole or in part by the Partnership, after deduction for the portion of such royalties or other consideration to which any university or other party participating therein is entitled.

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

(13) PARTNERSHIP shall mean DNA LIMITED PARTNERSHIP, a Connecticut limited partnership.

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

(15) PROMISSORY NOTES shall mean the negotiable promissory notes given to the Partnership by the Limited Partners evidencing payments due pursuant to their Subscription Agreements (the form of which is attached as Exhibit H to this Memorandum).

(16) SUBSCRIPTION shall mean the amount specified in the Subscription Agreement and paid by a Limited Partner to the capital of the Partnership in three installments in 1981 and 1982.

(17) SUBSCRIPTION AGREEMENT shall mean the agreement whereby a person agrees to become a Limited Partner in the Partnership (the form of which is attached as Exhibit G to this Memorandum).

(18) TECHNOLOGY shall include the subject matter described in "Genetic Engineering" in 20(1) hereinbelow, as well as the subject matter of the rights assigned to UGEN described under "DESCRIPTION OF UGEN-Business and Method of Operation."

9) Chromosome, cellular origin of nuclear genes.

10) Cloning duplication of a gene or set of genetic material by insertion into and reproduction of a host.

11) Codon a group of three nucleotides that codes for an amino acid.

12) Cytoplasm, cellular material lying between the nucleus and the cellular membrane.

13) DNA, deoxyribonucleic acid.

14) DNA Polymerase an enzyme that catalyzes the assembly of nucleotides into RNA and of deoxynucleotides into DNA.

15) Endorphin, a natural neural peptide pain killer.

16) Enzymes, globular proteins that have catalytic activity in biochemical reactions.

17) Expression, the synthesis of product resulting from gene insertion.

18) Fermentation the controlled growth of organisms either for harvesting or the enzymatic controlled transformation of an organic compound.

19) Gene a nucleotide sequence that codes for a specific product.

20) Gene Library random collection of cloned fragments in a vector that ideally includes all the genetic information of that species.

21) Gene Splicing the insertion and attachment of one gene into another nucleic acid sequence.

22) Genome all of the genes of an organism or individual.

23) Hormone a glandular substance targeting a specific activity, e.g., growth hormone, etc.

24) Host a cell (bacterium, yeast, algae, etc.) suitable for use in cloning work.

25) Hybridoma, cell lines produced by cell fusion and generally directed at production of uniform antibodies.

26) Interferon a group of glycoproteins produced by various cells that has antiviral activity.

27) Lipid, biological fatty molecules found in cell membranes.

28) Lymphoblastoid relating to immature cells of lymphoid tissue.

29) Monoclonal, pertaining to products produced from single clones of cells.

30) Mutagen, a chemical inducing a genetic mutation.

31) Mutation a natural or induced break in the genetic DNA or RNA.

32) Nucleic acid, polymeric material (DNA or RNA) extracted from the nucleus of cells.

33) Nucleotide, the basic unit of nucleic acids made up of a base, a sugar and phosphate.

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 may 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 to only 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 at least the greater of three times his proposed investment or $300,000 and he will have taxable income in 1981 in the 50% of higher Federal income tax bracket, or (ii) his Net Worth is at least the greater of four times his proposed investment or $600,000. (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 had consulted with and is relying upon the advice of his own personal advisers who have such capability. In addition, 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 possibility 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 1981 and 1982. 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.

the greater of three times his proposed investment of $300,000 and he

SUMMARY

The Partnership and its Objectives:

DNA LIMITED PARTNERSHIP (the "Partnership") is a Connecticut limited partnership organized to exploit commercially technologies relating to genetic engineering, including the funding of research and development of such technologies and exploiting the resulting processes and products, if any. The partnership will also hold stock of University Genetics Co., a Delaware corporation ("UGEN"), which will conduct the funding programs for the Partnership. UGEN will be initially owned 79% by University Patents, Inc. ("UPAT"), 17% by the Partnership and 4% by others if the maximum number of Units are subscribed for, or 85.8% by UPAT, 10.2% by the Partnership and 4% by others if the minimum number of Units are subscribed for. These figures give the percentage of shares owned. UPAT's voting percentages will be significantly greater than its ownership percentage because shares of UGEN Class A Stock to be owned by UPAT will have four votes per share. (See "PRINCIPAL RISK FACTORS-Disproportionate Voting Rights in UGEN" and "DESCRIPTION OF UGEN-Capitalization".) The General Partners of the Partnership are Novack Management, Inc. ("NMI") 537 Newtown Avenue, Norwalk, Connecticut, and Genetic Technology Management, Inc. ("GTM"), 537 Newtown Avenue, Norwalk, Connecticut, each of which will have a 1% interest in the Partnership (See "THE GENERAL PARTNERS.") GTM is a wholly-owned subsidiary of UPAT.

The Offering:

A minimum of fifteen (15) and a maximum of twenty-five (25) limited partnership Units of $150,000 each are being offered to a limited number of qualified offerees. The price for each Unit is payable as follows:

Units are subscribed for. These figures give

Business Interaction Between the Partnership, UGEN AND UPAT:

UGEN will furnish services to the Partnership in identifying, evaluating and recommending research and development projects to be funded by the Partnership, in negotiating and administering research and development contracts, and in procuring and administering patents for inventions and licensing such patents and inventions to industry. UGEN will retain for itself, as overhead and profit (if any), 25% of the contract amount received from the Partnership. All of UPAT's property rights with respect to inventions in the field of genetic engineering will be assigned as follows: (a) to GTM, and reassigned by GTM to the Partnership, with regard to those inventions on which the Partnership funds research and development, or (b) to UGEN with regard to those inventions on which the Partnership does not do any funding. The latter commitment will cover rights presently held or acquired in the future during a 25 year term. Any Net Licensing Revenues received from rights acquired by the Partnership by such assignment, or from rights in inventions resulting from the research and development projects funded by the Partnership, will be retained 50% by the Partnership and paid 50% to UGEN until the Partnership has retained cumulative Net Licensing Revenues in an amount such that the Limited Partners' share is equal to their total capital contribution ($3,750,000 if 25 Units are sold and $2,250,000, if 15 Units are sold). Thereafter, 25% of any Net Licensing Revenues will be retained by the Partnership and 75% will be paid to UGEN. (See "PROPOSED ACTIVITIES-UGEN Contract Summary.")

Compensation to the General Partner NMI:

NMI will receive, in addition to its participation in Partnership property, distributions, profits and losses, a nonrecurring organizational fee of $100,000, payable during 1982, and an annual management fee of $18,000.

The other General Partner (GTM) will receive no additional fees or benefits. (See "THE GENERAL PARTNERS.")

Federal Income Tax Consequences:

The Partnership will receive an opinion of counsel that the Partnership will be classified as a 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 deductibility of expenses incurred by the Partnership. See "TAX ASPECTS."

Partnership Agreement:

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

Plan of Offering:

Broker/dealers have been engaged to assist the Partnership in the sale of the Units on an agency basis. They will be paid a cash fee of 10% of the total subscription price (exclusive of interest) for the Units sold.

Definitions:

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

academic autonomy and should therefore be avoided. UGEN believes that the relationships it intends to establish with universities can be structured in a manner that will reduce such concern, but there is no assurance that universities will be willing to enter into research contracts with UGEN.

It should be noted that large sums of money have been expended on research and development activities in the field of genetic engineering and that little or no recognizable commercial return has been produced to date. Since the Partnership's profits will only be derived from the commercial exploitation of Technology to be developed, there is substantial risk that no such profits will ever materialize for reasons including, but not limited to, the inability of UGEN to satisfactorily complete research and development or the inability of the Partnership or UGEN 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.

It should be noted that UPAT has been engaged in the business of licensing and administering patents and patent applications for new technology for approximately nine years under its present management and it has not shown a profit from these activities during this time.

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, including but not limited to retention of a royalty free license by the Federal Government for its use as well as restrictions on 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 UGEN must obtain a license in order to commercially exploit the Partnership's patents. There is no assurance that licenses from holders of dominating patents will be available.

3. Financial Requirements. The Partnership has contracted with UGEN for the latter to cause to be performed research and development with respect to the Technology. The contract with UGEN does not guarantee successful completion of any of the projects, but merely obligates UGEN to expend certain 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.

9. Termination of the Partnership. The Partnership will operate in such a manner as the General Partners deem appropriate to preserve the limited liability of the Limited Partners. The Partnership Agreement provides for termination of the Partnership under certain circumstances. If the Partnership is dissolved, the Limited Partners may have distributed by them undivided interests in the Partnership's properties and would no longer have limited liability with respect to the ownership of such properties.

10. 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.

11. Conflicts of Interest. Neither of the General Partners intends to devote 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.

UGEN is a majority-owned subsidiary of UPAT. UPAT has a continuing business relationship with the universities at which research centers are expected to perform services for the Partnership. General Partner GTM is a wholly-owned subsidiary of UPAT. Mr. Novack, sole owner and operator of General Partner NMI, has performed patent work as an outside counsel to UPAT for many years and continues to act as counsel with respect to certain patent work. After the closing, NMI will still directly own 50,000 shares of UGEN stock. (See later section on "CONFLICTS OF INTEREST".)

12. Limited Scope of Partnership. UPAT's commitment to assign property rights to GTM and UGEN will be limited to those in the field of "genetic engineering", and only those rights as to which research or development is funded by the Partnership will be contributed by GTM to the Partnership. The other UPAT genetic engineering rights will be held

as actually made, and (b) any unpaid contribution which he agreed in the

any Limited Partner's income tax return. 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 limitations of this Agreement.

After the Closing Date, one of the General Partners, NMI, will have no assets other than 50,000 shares of UGEN common stock. Mr. Novack, who controls NMI, has made no commitment to leave these shares in NMI.

15. Disproportionate Voting Rights in UGEN. 5,924,490 shares of UGEN Class A Stock to be owned by UPAT will have four votes per share. The other stock of UGEN, including the shares to be contributed to the Partnership by the General Partners will have only one vote per share. This is intended to satisfy "control" requirements so that UPAT may include UGEN in consolidated Federal income tax returns, and to assure that UGEN continues to be a subsidiary of UPAT for purposes of the Investment Company Act of 1940 notwithstanding future stock transactions which might reduce UPAT's percentage ownership of UGEN. The effect, however, may be to remove restraints with respect to the management of UGEN which would be protective of UGEN stockholders.

16. Income Tax Risks. The Units are being privately offered to parties with substantial income and net worth, subject to high income tax rates, and who are in a position to avail themselves of certain tax benefits presently allowed under the Federal income tax laws. There is no assurance that funds invested in the Partnership will be recovered. In addition, there are substantial risks associated with the Federal income tax aspects of an investment in the Partnership. Neither this summary nor the information hereinafter set forth under "TAX ASPECTS" is intended as a substitute for careful tax planning, particularly since the income tax consequences of an investment in the Partnership are complex and certain of them will not be the same for all taxpayers. Prospective purchasers of Units are strongly urged to consult their own tax advisers with specific reference to their own tax situation prior to investment in the Partnership. For a more detailed discussion of the Federal income tax aspects of an investment in the Partnership, see "TAX ASPECTS".

Among the Federal income tax risks associated with investment in the Partnership are:

(a) Tax Status of Partnership. No tax ruling from the Internal Revenue Service has been requested with respect to the status of the Partnership for Federal income tax purposes. However, an opinion from Messrs. Schupak Rosenfeld Fischbein Bernstein & Tannenhauser, Special Tax Counsel to the Partnership, to the effect that, subject to the qualifications and assumptions set forth in such opinion, the Partnership will be classified as a partnership

parties with substantial income and net worth, subject to high

recharacterize the transaction as a purchase by the investors of the UGEN stock. If this view were to prevail, 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.

(d) Audit of the Partnership's Tax Returns. The tax returns of the Partnership may be audited by the Internal Revenue Service. Adjustments, if any, resulting from any such audit would require the Limited Partners to file amended personal tax returns and might result in audits of the Limited Partners' own tax returns. Any such audit of a Limited Partner's return could result in adjustments relating to non-Partnership items as well as of Partnership income or loss.

(e) 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, with any Limited Partner's share of Partnership losses in 1981 in excess thereof, as in the case of Limited Partners issuing Promissory Notes, 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".)

17. Default in Subscription Payments. Failure to pay any installment of principal or interest when due which is not cured within 10 days after notice will be a default by the Limited Partners. In such an instance, the Partnership will have, among other remedies, the right to accelerate and enforce the Promissory Note, as well as the right to forfeit the Partnership interest of the defaulting Limited Partner. In addition, during the pendency of the default, the defaulting Limited Partner will not be entitled to cash distributions from the Partnership, to share in the profits and losses of the Partnership, or to receive any information from the Partnership. Notwithstanding these remedies, the Partnership will be subject to the risk that defaults in subscription payments may adversely affect the funding of the Partnership and, therefore, its ability to carry out the research programs contemplated hereunder.

GTM, will contribute to the Partnership for every Unit sold in excess of 15 an additional 51,020.41 shares of UGEN Common Stock. If the maximum of 25 Units are sold, GTM will contribute a total of 510,204.08 shares. Said shares have been purchased from UGEN for a price of $.001 each. GTM will also contribute property rights to inventions in the field of genetic engineering (acquired from UPAT) as to which the Partnership is to fund research or development.

NMI and GTM will each have a 1% interest in the capital and profits or losses of the Partnership. For capital account purposes, the Capital Contribution of each General Partner will be valued at one ninety-eighth of the total Capital Contributions of the Limited Partners ($22,959 if 15 Units are sold; $38,265 if 25 Units are sold).

The Partnership Agreement requires GTM to have a Closing Date net worth (excluding its interest in the Partnership and accounts and notes receivable from and payable to the Partnership) in an amount equal to not less than the greater of $250,000 or 10% of the total Capital Contributions to the Partnership. Thereafter GTM has agreed to use its best efforts to comply with any substantive net worth requirements necessary to insure that the Partnership as a matter of law is and will at all times in the future continue to be classifiable as a partnership for Federal income tax purposes.

The General Partners shall not be required to make an additional contribution to the capital of the Partnership, nor shall they be required to make any loans to the Partnership.

Limited partners - Capital Contributions

The Limited Partners will contribute an aggregate principal amount of $3,750,000 if the maximum number of Units are subscribed for, or $2,250,000 if the minimum number of Units are subscribed for. Investment will be in the form of Partnership Units, each in the amount of $150,000 (plus interest). The General Partners may, in their sole discretion, accept subscriptions for fractional Units representing capital contributions of less than $150,000. Under no circumstances will there be more than 35 investors who contribute less than $150,000 each. No investor will be admitted to the Partnership unless and until the minimum number of Units have been sold.

Payments for each Limited Partnership Unit (including 9% interest on the deferred installments) are to be made as set forth below.

(b) to obtain rights to share in proceeds from exploitation of certain already existing genetic engineering inventions in which the Partnership is to hold property rights, based on Partnership funding of further research and development of such inventions to enhance their commercial potential (see "Identification of Initial UGEN Projects to be Considered for Funding").

(c) to hold an equity interest in UGEN, a corporation which will own property rights in certain existing genetic engineering inventions as well as rights in future genetic engineering inventions, as described below (see "DESCRIPTION OF UGEN"). Said equity interest will consist of UGEN Common Stock.

The Partnership may hold, sell and/or distribute the equity interest in UGEN. At such time (if any) as a public market for UGEN stock has developed, the General Partners will distribute (subject to compliance with securities laws) any UGEN shares then held by the Partnership to the Partners in proportion to their respective interests.

UGEN Contract Summary

The Partnership will enter into research contracts (see form of Research Agreement, attached as Exhibit B to this Memorandum) with UGEN pursuant to which UGEN will cause to be performed research in connection with certain technologies relating to genetic engineering. The objective is the invention and improvement of products and processes suitable for licensing to industry. UGEN will subcontract the research to university or other research facilities. Such subcontracts will usually be for a period of 12 months of less and may be placed at both existing UPAT client universities and nonclient universities (see "CONFLICTS OF INTEREST"). The Partnership will pay UGEN, on the effective date of each of the 1981 and 1982 contracts, the full contract amount by delivery of cash and promissory notes. Universities generally will seek assurances that UGEN will have the financial resources to satisfy its commitments before agreeing to commit researchers and laboratory facilities for the term of a project, so it is anticipated that UGEN will be contractually required under its agreement with university and other research centers to have on hand at each project commencement date, cash or notes sufficient to complete a project's funding. In addition, UGEN will require that it be compensated for certain costs associated with the placement of projects. Accordingly, as stated, each of the 1981 and 1982 Research Agreements will require payment in full by the Partnership to UGEN, in cash and promissory notes, for all services to be performed. The principal amounts of the Research Agreements are as follows:

4. Cause patent applications to be filed, prosecuted and maintained on those inventions arising out of the research and development contracts which have adequate commercial potential in UGEN's judgment.

5. Seek licenses from industry for the patents and inventions arising out of the research and development projects; negotiate licenses and administer such licenses. The partnership will have the right to disapprove licenses or significant license terms.

The Partnership will receive all Net Licensing Revenues (after payment to the university or research facility of its share) from licensing or other exploitation of the technologies that are the subject of the research and development projects. The partnership will retain 50% of such Net Licensing Revenues and will pay 50% to UGEN until the Partnership has received total Net Licensing Revenues such that the Limited Partners' share thereof equals the total Capital Contributions paid to the Partnership by the Limited Partners. After the Partnership has received Net Licensing Revenues in this amount, the Partnership will retain 25% of subsequent Net Licensing Revenues and will pay 75% to UGEN.

The Payments set forth in the preceding paragraph will apply when the monies used to fund the revenue-producing research and development projects come exclusively from the Partnership. In the event that funding in addition to Partnership funding was necessary for the licensing of a technology (for example, when the Partnership was unwilling or unable to provide such additional funding), and if UGEN itself did such additional funding or caused a third party (such as a potential industrial licensee) to do such additional funding, then the percentage of Net Licensing Revenues attributable to the technology and paid to UGEN as described in the preceding paragraph shall be increased from 50% and 75%, respectively, to 50%+(50%xK) and 75%+(25%xK), respectively, where K is computed as the amount of the UGEN (or third party) funding divided by the sum of the amount of the UGEN (or third party) funding and the amount of the Partnership funding. If such additional funding was provided by a third party, and in the event a royalty or other consideration is to be paid to the third party, UGEN will be responsible for any payments to the third party. If no payment is required to be made to the third party, or if a payment is required, but in a lesser amount, UGEN will still receive the increased percentage of revenues. It should be noted that NMI will have the right, on behalf of the Partnership, to have the Partnership decline to participate in any proposed project, as well as to disapprove the terms of any license agreement or any proposed licensee, although NMI intends generally to rely on the expertise of UGEN in such matters.

DESCRIPTION OF UGEN

University Genetics Co. ("UGEN") is a Delaware corporation organized in 1980 and is a majority-owned subsidiary of UPAT. UPAT is a service company which, as a matter of corporate policy, has chosen not to invest its resources directly in research and development. As a result, UPAT formed UGEN as an appropriate way to engage in research and development in the field of Genetic Engineering.

Capitalization

UGEN has authorized capital stock consisting of Common Stock and of Class A Stock (see UGEN Balance Sheet, Exhibit J). Both classes of stock are identical, except that the Common Stock is entitled to one vote per share and the Class A Stock to four votes per share. All of the Class A Stock will be owned by UPAT and will be nontransferable (unless converted into Common Stock on a share-for-share basis) except among UPAT and its majority-owned subsidiaries.

Part of the UGEN Common Stock will be contributed to the Partnership by the General Partners (the number of shares depending upon the number of Units sold); some will be owned by GTM if less than the maximum number of Units are sold; some will be owned by NMI; and some will have been issued to UGEN executives ("see General Partners-Authority and Capital Contributions"). UPAT has indicated that it may sell up to 50,000 shares of its UGEN stock (after conversion to Common) to Mr. H. William Levin, Assistant to the President of UPAT, for $.001 per share. All of the UGEN stock, which has a par value of $.001 per share, will be fully paid and nonassessable. The UGEN stock will not be subject to preemptive rights.

The ownership of UGEN at the Closing Date, based upon the number of Units sold, will be as follows:

income tax for which it would have been liable as a separate taxpayer and will be entitled to payment from UPAT in an amount equal to any benefits to the group resulting from losses of such member. The tax sharing agreement also will contain provisions governing tax liability in certain circumstances in the event UGEN ceases to be included in the UPAT consolidated Federal income tax return; however, such agreement will not cause UGEN's aggregate liability for taxes (computed under certain assumptions) and amounts payable thereunder to exceed the tax liability that would have resulted if UGEN had been taxed on all items of income that accrued to it.

Business and Method of Operation

UGEN intends to provide services for the Partnership as described above and will also acquire direct ownership of property rights in inventions in the field of genetic engineering: (a) through an assignment from UPAT of rights with respect to inventions as to which the Partnership will not fund research or development; and (b) as consideration for any of UGEN's own funding of research and development at various university locations. UGEN intends to commercialize the Partnership's rights and its own rights primarily through licensing. (However, other options, such as manufacturing and sale, will be explored if specific technologies warrant this type of exploitation.)

UPAT will assign to GTM and the latter will assign to the Partnership all of UPAT's property rights with respect to present and future inventions in the field of genetic engineering received from its clients as to which research or development is to be funded by the Partnership. UPAT has agreed for a 25 year term to assign directly to UGEN all such rights as to which the Partnership is not to fund research or development. The revenues to be received by the assignees will be subject to payment to the inventing sources and any others having rights in such revenues. In the case of the assignment to UGEN, the revenues received by UGEN will also be subject to payment to UPAT for UPAT's costs of patenting and enforcing the inventions which result in the revenues, including reasonable charges for services rendered by UPAT employees.

The following list summarizes inventions that UPAT will be initially assigning to UGEN. In each instance the university source of the invention is entitled to 60% of the revenues that result from the exploitation of the invention. None of the inventions is at this time commercially viable and no licensee or optionee is obligated to make significant fixed or minimum payments to UPAT or UGEN. It is not anticipated that any of these inventions will be funded by the Partnership and therefore its interest will be limited to its indirect interest through stock ownership in UGEN.

11.	Hybridoma Cell Lines Capable of Producing Monoclonal Antibodies III	University of Chicago	Diagnostic Division of a large Pharmaceutical Company
12.	Hybridoma Cell Lines Capable of Producing Monoclonal Antibodies IV	University of Pennsylvania	Genetic Engineering Supply Company
13.	Continuous Flow Electrofocusing Device for Product Separation	University of Arizona	Major Instrument Manufacturer

The Management Function

The Management Function is primarily concerned with establishing and monitoring the activity of the Funding Function, as well as negotiating research grants with various universities.

The Directors and Executive Officers of UGEN are as follows:

	Name	Age	Position
1)	Alan G. Walton, Ph.D.	45	President, Chief Executive Officer, Director
2)	George M. Stadler	34	Vice President, Director
3)	L. W. Miles	48	Chairman of the Board of Directors, Treasurer (President and Director of UPAT)
4)	A. Sidney Alpert	44	Secretary, Director (Vice President, Operations, Secretary and Director of UPAT)
5)	Don C. Wukasch, M.D.	45	Director

Biographies of Directors and Executive Officers

Alan G. Walton, President, Chief Executive Officer and Director, received a Bachelor of Science degree in Chemistry in 1957, a Ph.D. in Physical Chemistry (1960), and a D.Sc. In Biophysical Chemistry (1973), all from Nottingham University in England. He was employed as a

George M. Stadler, Vice President and Director, received a Bachelor of Science in Chemistry and Biology at John Carroll University in 1969, his M.S. in Physics at John Carroll University (1971) and did doctoral work in Physics Education at Case Western Reserve University from 1974 to 1976. He is a registered patent agent, admitted to the U. S. Patent Bar in 1975.

Mr. Stadler's business experience consists of teaching, research, research administration, technology assessment, patent prosecution and licensing, and new company formation and start-up. He accepted a position as an Assistant Professor of Physics at Cuyahoga Community College in 1971. In 1972, he became an Assistant Director of Research Administration at Case Western Reserve, where he was responsible for the establishment of a patent and licensing program. In addition, he also assisted in the general administration, negotiation and budgeting of research grant and contract awards.

In 1976 Mr. Stadler joined UPAT, as Assistant to the President. Since UPAT is the exclusive licensing agent for nine universities, Mr. Stadler has had ample opportunity to practice technology transfer in a multi-campus environment and to work with an interdisciplinary team of patent/licensing professionals. In his position at UPAT, Mr. Stadler has been active in the evaluation and licensing of chemical, physical and recombinant DNA technologies, the assessment of new venture opportunities and the creation/formation of "non-traditional" university technology transfer vehicles.

Mr. Stadler is affiliated with the following professional organizations: Society of University Patent Administrators; Licensing Executives Society; American Chemical Society; American Association for the Advancement of Science; New York Academy of Sciences; Society of Research Administrators and a former member of the National Council of University Research Administrators.

L. W. Miles, Chairman of the Board of Directors and Treasurer, received a B.A. in Economics from Gettysburg College and his M.S. in Management Science at MIT. Mr. Miles is President, Chief Executive Officer and a Director of UPAT.

Before joining UPAT in 1972, Mr. Miles was the Director of Commercial Development at IBM. In this capacity he managed all of IBM's activities in the areas of patents, trademarks, copyrights licensing, acquisitions and divestitures. This activity involved several hundred people and comprised one of the largest nongovernmental patent activities in the world. Mr. Miles also held positions as Director of Contracts and Licensing and Manager of Licensing while at IBM.

has been active in the evaluation and licensing of chemical, physical

The Funding Function

Through this function, UGEN proposes to engage in genetic engineering research by providing selected university or other researchers with grants or contracts. Initially this will be done primarily on behalf of the Partnership.

Many university researchers of the type UGEN is interested in working with are presently funded by the Federal Government to do basic research within a particular agency's (e.g., National Institutes of Health) program objectives. In most cases, the Federal agencies will not support subsequent development (for potential commercial application) of a basic research discovery or idea. Since most academic researchers have only a limited amount of time to solicit private sector support for development projects, and since their primary objective is basic research, many of these ideas are left undeveloped. This results in limiting potential patent rights, and thus reduces the possibility of further investment and development of the technology by industry.

Through its research contracts, UGEN will seek to secure rights in inventions that are made. The university (and the university researcher) will be asked to agree that in exchange for UGEN's contract, they will assign such patent rights to the Partnership. However, in cases where an assignment is not obtainable, UGEN will attempt to obtain for the Partnership an exclusive license with the right to sublicense, or alternatively UGEN will agree to hold a custodial interest in whatever rights are available (and transferable) for the benefit of the Partnership. In any case revenues resulting from licensing or other exploitation of inventions will normally be subject to payment of a share to the university conducting the research. In addition, selected university researchers and/or universities who have projects supported by UGEN may be given an opportunity to obtain a stock interest in UGEN.

2. Manipulation of Cytoplasmic Factors in Potatoes

Half of the present day commercial clones of potatoes are made sterile and two-thirds set no berries. Wild species used to breed potatoes contain sterility inducing genes. Potato production is also limited to relatively cool climates. This project involves introduction of chromosomal genes of a South American strain.

3. Insertion of Chromosomes into Plant Cells

This project involves the insertion of chromosomes into plant cells using lipid vesicles (molecular capsules) and is aimed at developing general methods for increasing crop yield, increasing disease resistance and decreased fertilizer requirements.

4. Transfer of Nuclear and Mitochondrial Genes

Several crops of agronomic importance do not breed true and cannot be effectively propagated from seeds. Also, genetic variation is needed to improve strains. In this project, nuclear and mitochondrial gene transfer methods will be used to address these problems in alfalfa, cotton and soybean.

5. Genetic Engineering of Plants from Single Cells

Genetic information can be transferred into virtually any dicotyledonous plant cell by using a bacterial plasmid system. However, at present, very few whole plants can be grown from such engineered cells (e.g., tobacco and carrot).

This project involves the adaption of plant tissue culture methodology and a bacterial system to transform pea, peanut, soybean, grape and potato cells into modified plant forms.

6. New Cloning Vector for Plants

The usual way of introducing new genetic material into plants is to use the Ti plasmid from a bacterial species known as A. tumefaciens. This project involves the development of an alternative transfer method that could have application in engineering new plant strains.

7. Herbicide Resistant Mutants for Crop Plants

To identify the genes relevant to herbicide resistance, it is often necessary to understand the manner in which the herbicide disturbs the

2. Production of Appetite Suppressant Agents

Many hormone and hormone-like agents are found in chemical extracts of brain tissue. This investigator has identified such an agent which appears to be the natural on/off switch for appetite. It has been demonstrated to be effective in rats and will be produced by standard recombinant DNA, cloning and expression.

3. Therapeutic Properties of an Immunodeficiency Agent

Most diseases are rendered highly dangerous if the body is unable to develop antibodies and an acquired immunity. In general, the body's defense against foreign species involves the "turning on" of T-cells by a complex biochemical mechanism. If the cells lack one or more of the entities required to activate this process, immunodeficiency results. In this project, the investigator had identified a key molecular species which can be prepared by conventional, but very tedious, procedures. This entity is found effective in treating human immunodeficiency but should be much more effectively produced in quantity by genetic engineering and production from bacteria.

4. Diagnosis of Protozoan Lung Infections

Protozoan lung infections that are potentially fatal are found in newborns, cancer patients, individuals with autoimmune disease, organ transplants, etc. The infections are often misdiagnosed as pneumonia. This laboratory has identified the protozoan involved and has produced antibodies by the limited classical methods. Funds would be expended to develop diagnostic kits using monoclonal antibodies for this disease.

5. Treatment for B-Streptococcal Disease

Group B-Streptococcal disease is an infection that occurs in otherwise healthy newborns. In spite of early recognition and vigorous antibiotic treatment, mortality is 50-80% accounting for at least 10,000 deaths per year in this country. This investigator has produced monoclonal antibodies against the streptococcus and has shown 80-100% cure rates in animals (versus 94-100% death in untreated animals). Funds are sought to produce human monoclonals and begin human clinical trials.

6. Development of Hybridomas for Human Diagnostic and Therapeutic Usage

Monoclonal antibodies are usually produced by fusing antibodies

4. Diagnosis of Protozoan Lung Infections

11. Diagnosis of Muscular Dystrophy

Duchenne muscular dystrophy (DMD) is the most common and most serious form of the disorder. The incidence of DMD in males at birth is 1 in 3,000 and the clinical outcome is mortality in the late teens. It is known that the genes underlying DMD are located in the X male chromosome. This project involves screening, cloning and producing a probe for DMD that can be used in prenatal diagnosis and genetic counseling of carrier females.

12. Diagnosis of Breast Cancer Susceptibility

One in 13 women in the U.S.A. develop breast cancer and it is a leading cause of morbidity and mortality in American women. The gene associated with the functional control of breast cancer produces a protein marker which may enable the genetic origin to be identified. Objectives include the development of a rapid, practical test for identification of susceptible females.

Other proposed projects--

1. Production of Efficient Promoters

In genetically engineering a product from bacteria or yeast, it is important to have a good "promoter gene" that essentially controls the efficiency of the process. Normal values currently in practice involve 1-2% expression. This project has so far produced a controllable promoter that allows substantially improved expression of product. It will be used to demonstrate that peptides can be produced efficiently.

2. New Cloning (Host) Systems

Most compounds that have been produced so far by recombinant DNA have used E. coli, B. subtilis and S. cerevisiae (yeast) as host organisms. Such systems are often quite suitable for direct expression products (peptide hormones, proteins) but are not generally suitable for secondary complex products such as antibiotics. In this project, the investigator has identified a number of bacteria that may be suitable for production of antibiotics, antitumor agents, biotransformations and degradations.

3. Thermophilic Bacilli

The capability of thermophilic bacteria to grow rapidly at high temperature, coupled with the stability of their enzymes against inactivation by heat and other denaturing agents, makes them good

1. Production of Efficient Promoters

8. University Cloning Center

This laboratory has the capability of cloning a variety of peptides and proteins for medical or industrial use. The client investigator has available microbial and yeast systems and is interested in custom synthesis of hormones, enzymes, etc. as required by industry.

USE OF PROCEEDS

The aggregate maximum Capital Contributions for the Partnership are $3,750,000 and the minimum are $2,250,000.

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.

	Maximum (25 Units)		Minimum (15) Units	
Types of Expenses	Amount	Percentage	Amount	Percentage
Total Subscriptions of Limited Partners	$3,750,000	100%	$2,250,000	100%
Commissions Payable to Broker/Dealers	$ 375,000	10%	$ 225,000	10%
Partnership Organizational Costs, Including Fee Payable to NMI	$ 130,000	3.5%	$ 130,000	5.8%
Payments for Research and Development, Including Allowance to UGEN for Overhead and Profit	$3,170,000	84.5%	$1,800,000	80%
Remaining Proceeds Available for Partnership Operating Expenses, Including Management Fees Payable to NMI	$ 75,000	2%	$ 95,000	4.2%

Total Subscriptions of $3,750,000 100% $2,250,000 100%

practice consists of patent-related services (all pertaining to technologies unrelated to genetic engineering) performed on behalf of UPAT (see "CONFLICTS OF INTEREST"). From 1974 until October 1980, Mr. Novack served on the Board of Directors of Automation Systems, Inc., a corporation which manufactures and sells laser-based gauging and inspection systems. Mr. Novack holds a Bachelor of Science degree in Electrical Engineering from MIT (1962), a Law Degree from Brooklyn Law School (1966), and a Master of Corporation Law Degree from New York University Law School (1970).

The other General Partner, Genetic Technology Management, Inc. ("GTM"), is a Connecticut corporation wholly-owned by UPAT. Its activities will be limited to acting as a General Partner of the Partnership. At the Closing Date it will have a net worth (excluding its interest in the Partnership and accounts and notes receivable from and payable to the Partnership) of the greater of $250,000 or 10% of the total Capital Contributions to the Partnership. GTM will agree to use its best efforts to meet and comply with any substantive net worth requirements necessary to insure that the Partnership as a matter of law is and will at all times in the future continue to be in a position to be classified as a partnership for Federal income tax purposes.

The officers and directors of GTM are:

L. W. Miles	President and Director
Robert I. Siegel	Treasurer, Secretary and Director
A. Sidney Alpert	Director

Mr. Siegel is the Treasurer of UPAT.

The General Partners (GTM and NMI) shall each have equal authority and responsibility for the management of the Partnership, except that as to any transaction or agreement with UGEN, UPAT or any Affiliate thereof, the decision making authority and responsibility shall be vested in NMI.

Compensation and Other Benefits to NMI

In addition to its share of Partnership property, profits, losses and distributions (see "PARTICIPATION IN PROFITS AND LOSSES"), NMI will receive the following compensation and benefits:

(a) An organization fee of $100,000, payable in 1982. This fee will be payable from the proceeds of the Limited Partners' Capital Contributions (see "USE OF PROCEEDS").

be construed to support rights of a Limited Partner to bring such actions under Rule 10b-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 exculpates the General Partners from, and indemnifies the General Partners 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. The Partnership Agreement provides further that the General Partners are not to be liable because any taxing authority disallows or adjusts any deductions or credits in the Partnership's or any Limited Partner's income tax return. 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 limitations 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 Partners have other business relationships with various entities involved with the Partnership also gives rise to conflicts of interest which cannot be totally eliminated. The General Partners' decisions may affect their 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 Partners will devote only so much of the time of the employees to the business of the Partnership as in their judgment is reasonably required. The General Partners will have conflicts in allocating their time among the Partnership and other business ventures in which either may be involved, including other partnerships. Nevertheless, the General Partners believe they are fully capable of discharging their duties to the Partnership.

indemnification for liabilities arising under the Securities Act of 1933

TAX ASPECTS

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 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 25% of tax returns of 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 (the "Code"), Treasury Regulations and judicial and administrative interpretations, all of which are subject to change. EACH PROSPECTIVE INVESTOR SHOULD CONSULT HIS OWN TAX COUNSEL 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 Limited 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, however, the investors would be treated in a manner similar to corporate shareholders and as such would not be taxed

Three other conditions required by the Internal Revenue Service for advance ruling purposes are: (1) that the limited partners not own (including constructive ownership under certain attribution rules) more than 20 percent of the stock of certain affiliates of the corporate general partner; (2) that the purchase of a limited partnership interest not entail a purchase of securities of certain affiliates of the corporate general partner; and (3) that the aggregate deductions claimed by the partners as their distributive shares of partnership losses for the first two years of operation not exceed the amount of equity capital invested in the partnership. It is unlikely that as a result of the offering the Partnership's ownership of stock of UGEN will cause the Partnership to be unable to meet the first of these requirements. However, if the Limited Partners later obtain a substantial amount of the stock of UGEN, or have or later obtain a substantial amount of the stock of an affiliate of UGEN, the result may be that the Partnership will be unable to meet the first of these requirements. Also, the fact that, in certain events, such stock will be distributed to the Limited Partners may cause the Partnership to be unable to meet the second of these requirements. It is anticipated that the third condition may not be met by the Partnership.

Notwithstanding the fact that the Partnership may not be able to satisfy all of the conditions necessary to obtain an advance ruling from the Internal Revenue Service, Tax Counsel has opined that the Partnership will be classified as a "partnership" for Federal income tax purposes under the applicable substantive principles. However, as noted above, no advance ruling has been, and it is not anticipated that any ruling will be, sought from the Internal Revenue Service with respect to classification of the Partnership as a "partnership". The opinion of counsel that, based upon the Federal income tax laws presently in effect, the Partnership will be classified for Federal income tax purposes as a "partnership" within the meaning of the Code, is not binding on the Internal Revenue Service or the courts. Moreover, this opinion is based upon certain assumptions and representations set forth therein.

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 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 Limited Partnership income even though no cash distribution is made.

property the taxpayer has contributed to the activity plus any amount he had borrowed with respect thereto or for which he is personally liable for the repayment thereof or with respect to which he had pledged property other than property used in the activity as security for the repayment of the amount borrowed limited, however, to the net fair market value of his interest in such pledged property. It should be further noted that a Limited Partner will not be deemed "at-risk" for any financial portion of his Capital Contribution: (i) if the funds were borrowed from members of his family, controlled corporations, related trusts and certain other persons, all as set forth in Code Section 267(b); (ii) if the funds were borrowed from persons who have an interest (other than as a creditor) in the Partnership. "Loss" is defined as being the excess of allowable deductions for a taxable year from any activity over the amount of income actually received or accrued by the taxpayer during such year from the activity. The amount the taxpayer has "at-risk" may not include the amount of any loss that the taxpayer is protected against through non-recourse loans, guarantees or other similar arrangements. The Treasury Department has recently issued proposed regulations relating to the determination of amounts "at-risk". Under the proposed regulations, a Limited Partner would not be considered "at-risk" merely because he has given his personal Note to the Partnership evidencing his personal liability for future contributions to the Partnership. He would only be deemed "at-risk" when the future cash contributions are actually made to the Partnership. Under the Partnership Agreement, and as a condition of the Partnership's entering into the Research Agreement with UGEN, each Limited Partner shall personally assume a pro rata portion of the Partnership's borrowings from UGEN. In view of the proposed regulations, and in view of the fact that UGEN and its affiliates have an economic interest in the Partnership's activities other than as a creditor, the Internal Revenue Service may take the position that a Limited Partner will not be able to deduct losses in excess of his cash contribution to the Partnership. The amount of any such loss that is disallowed in any taxable year shall be carried over to the first succeeding taxable year in which it is an allowable deduction under the "at-risk" rules. Further, a taxpayer's "at-risk" amount in subsequent taxable years with respect to the activity involved shall be reduced by that portion of the loss which is allowable as a deduction. The "at-risk" limitations operate in conjunction with the limitation of losses imposed by the Partner's adjusted basis for his Partnership interest. (See Tax Basis.) Therefore, if losses exceed either the Partner's adjusted basis or his amount "at-risk", at the end of the taxable year, current deduction of losses would not be permitted. In addition, if the amount to which a Limited Partner is considered "at-risk" is reduced below zero as a result of distributions, reductions of loans for which a Limited Partner

the Partnership evidencing his personal liability for future

partnership and not retroactively to periods prior to his entry. This provision is applicable to partnership taxable years beginning after December 31, 1975. This allocation to a partner must be made either on the basis of the number of days of the year in which the individual was a partner, or the partnership year will be divided into segments and income and losses will be allocated among partners who are partners on and after the first day of each such segment. This section was enacted for the express purpose of ending the practice whereby limited partners were admitted at the end of a taxable year and were allocated losses from that entire year. 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 shares 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 as deductions 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 under Section 163, realty taxes under Section 164); and (ii) the deduction does 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. 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 the Limited Partnership's 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

The Code at Section 163 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 the Limited Partners to the extent borrowed funds were used to acquire the Partnership Units.

be allowable under other Sections of the Code without regard to whether

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 (iii) are of a character which if expended incident to the creation of a partnership having an ascertainable life would be amortized over such life.

Sale of Partnership Interests

The sale of a Limited Partner's Units in the Partnership held by him or her for more than one year would, in general, result in the recognition of long term capital gain (or loss). An exception would be amounts attributable to a Limited 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 Partnership Units will be, in general, the excess of the sale price, plus the Limited Partner's share of Partnership liabilities of which the Limited Partner has been relieved, over the adjusted tax basis of the Limited Partner's Units.

Liquidation of The Partnership

Generally, upon liquidation of a Partnership, any gain or loss recognized by reason of a distribution to the Limited Partners will be considered as gain or loss from the sale or exchange of a capital asset, except to the extent of unrealized receivables and certain other items. Gain to the Limited Partners on the distribution will be recognized to the extent any money received (including a reduction in a Limited Partner's share of Partnership liabilities) exceeds the Limited Partner's adjusted basis of his Partnership interest. Loss will not be recognized unless the Limited Partner receives no other property in the distribution other than money, unrealized receivable or substantially appreciated inventory, and then only to the extent that money and the basis to the Limited Partner (as determined under Code Section 732) of

The Partnership will engage UGEN to perform, or cause to be performed, research and development of genetic engineering and related technologies. The contractual arrangement between UGEN and the Partnership (the "Research Agreement") will require UGEN to use its best efforts to locate and present to the Partnership research and development projects for funding. In most cases, the projects will be funded for periods of no longer than twelve months from inception. The Partnership will have complete discretion as to whether to fund any project presented to it by UGEN.

The Partnership contemplates expending all available funds for research and development. However, the ability of the Partnership to expend such funds is dependent upon UGEN locating and presenting to the Partnership acceptable projects. No assurance can be given that projects will be available for funding at the time and in the amounts desired by the Partnership. Notwithstanding the Partnership's payments (in cash and promissory notes) in 1981 to UGEN under the Research Agreement, this may result in the Internal Revenue Service taking the position that the Partnership's deduction for research and development expenses may not arise until a taxable year subsequent to the taxable year in which the Partnership has contracted for funding with UGEN.

Most of the projects will require partial funding by UGEN at stated intervals during their term (e.g., 1/4 of the total funding may be payable at commencement with three additional 1/4 installments payable after the third, sixth and ninth months of a twelve month project). However, because university and other research centers generally will seek assurances that UGEN will have the financial resources to satisfy its commitments before agreeing to commit researchers and laboratory facilities for the term of a project, it is anticipated that UGEN will be contractually required under its agreements with university and other research centers to have on hand at each project commencement date, cash or notes sufficient to complete a project's funding. In addition, UGEN will require that it be compensated for certain costs associated with the placement of projects. Accordingly, each of the 1981 and 1982 Research Agreements will require payment in full by the Partnership to UGEN, in cash and promissory notes for all services to be performed. In the event that any subcontracted project is terminated prior to such time as UGEN has fully funded the sum originally committed, UGEN will locate and present to the Partnership alternative projects. Although the Partnership will have the absolute right to accept or decline such projects, no monies previously paid will be refundable to the Partnership.

Because the Partnership will report its income on the accrual method of accounting, the General Partners intend to treat the nonrefundable

Most of the projects will require partial funding by UGEN at stated

Treatment of UGEN Securities and Rights Obtained From UPAT

Under the terms of the Offering, investors are purchasing Limited Partnership Interests in the Partnership which, in turn, will own stock of UGEN ("UGEN Securities"). Under the Partnership Agreement, the General Partners will have the power exercisable in their discretion to sell, otherwise deal with, or distribute to the Partners the UGEN Securities. Under certain circumstances, the General Partners will be required to make distributions of the UGEN stock and 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 UGEN Securities. This recharacterization could result in a loss of tax basis in the investor'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 UGEN were in the nature of a non-deductible capital contribution and not a research or experimental expenditure.

The Partnership will obtain from GTM, which in turn obtained from UPAT, all of UPAT's property rights with respect to present and future inventions in the field of genetic engineering received from UPAT's clients regarding research and development that is to be funded by the Partnership. The Internal Revenue Service might assert that a portion of the Partnership's payment to UGEN 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 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.

In addition, a Partnership may operate in states and localities which impose taxes on Partnership assets or income, or on each Limited Partner on his share of income derived from Partnership activities in such jurisdictions. Also, to the extent that a 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.

The 1976 Tax Reform Act, the Revenue Act of 1978 and the Economic Recovery Act of 1981 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 WITH 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.

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 $150,000 per Unit 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 had received plus interest, as may be necessary to discharge partnership liabilities to all creditors who extended credit or whose claims arise 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.

Connecticut law shall otherwise require, the proposed amendments shall become effective when the General Partners and Limited Partners holding a majority in interest of the Partnership Units shall have given written approval of the proposed amendment. A Limited Partner will be deemed to have given his approval if he has not given written notice to his opposition to the amendment within 45 days after the proposed amendment has been sent to the Limited Partner.

OTHER MATTERS

This Memorandum does not purport 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 Partners, 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.

Attention is directed to the Partnership Agreement and other