



Company Overview & Project Summary  
Lexington Jobs Fund

Summit Biosciences is a specialty pharmaceutical company focused on developing, manufacturing and commercializing generic and innovative nasal spray drug products. In addition to developing our own products, we provide contract development and manufacturing services to our partners and to our clients for a wide variety of nasally delivered drug products and delivery systems.

Our headquarters and FDA approved manufacturing plant are located in Lexington, Kentucky on the University of Kentucky's Coldstream Research Campus. Our facility contains a cGMP laboratory, cGMP manufacturing and warehousing areas, offices and utility areas to support commercial manufacturing operations. Our manufacturing facility is dedicated to the formulation, filling, assembly, packaging and testing operations of nasal spray drug products. Our cleanrooms and equipment are designed to enable us to fill aseptically or terminally sterilize our products. The manufacturing facility, associated systems and equipment have been designed to be in full compliance with FDA cGMPs. Security systems and controls in compliance with DEA regulations have been installed, inspected and approved by the DEA.

We have recently leased approx. 3,500 square feet of warehouse space also located on the University of Kentucky's Coldstream Research Campus. We currently employ 28 full time people and 6 part time people.

We currently have two products, which we partnered with Lannett Company, under review with the FDA. We anticipate approval of these two products later this year or early 2015. We also have several multi-million dollar development and manufacturing contracts with two mid-sized pharmaceutical companies. We anticipate manufacturing at a commercial scale for both of these pharmaceutical companies once their products are developed and approved for sale by the FDA.

Because of our growing business, we need to expand our manufacturing and lab facilities. We are actively looking to buy, lease or build a building of approximately 35,000 square feet in the Lexington, KY area for our expansion. We are applying for a \$100,000 grant with the Lexington Jobs Fund with the proceeds to cover rent, payroll and other operating costs related to the new building. We are not requesting funds for construction of a building. We anticipate that within two years of the project, we will have created 9 new jobs with an average hourly rate of \$42.31 as a result of our expansion. The expansion will allow us to generate millions of dollars of revenue from the manufacturing of the two nasal products currently under review with the FDA and from our growing contract manufacturing business.

Please call me (859.254.0180) with any question on our company or our planned expansion.

Sincerely,

A handwritten signature in black ink, appearing to read "Greg Plucinski", is written over a white background.

Greg Plucinski  
Chief Operating Officer

**APPLICATION FOR JOBS FUND INCENTIVES  
CERTIFICATION OF APPLICATION**

Rev 5/2014

Company Name \_\_\_\_\_

**CERTIFICATION**

Eligibility for financial assistance is determined by the information presented in this application and in the required attachments. Any changes in the status of the proposed project from the facts presented herein, including but not limited to the commencement of construction, any public announcement or legal commitment (e.g., lease or contract) without contingency language, could jeopardize the project's eligibility for incentives. Please contact the staff of the LFUCG before taking any action which would change the status of the project as reported herein.

I, the undersigned, on behalf of the applicant, hereby represent and certify that the foregoing application information, including all attachments, to the best of my knowledge, is (a) true, complete and accurate with respect to the information concerning the proposed project for which financial incentives are sought; and (b) does not contain any information for which any entity competing with the applicant may claim a proprietary interest.

Select which of the following is applicable:

For a new location project, I represent and certify that, but for the financial incentives being provided through this application, the proposed project could not reasonably and efficiently locate in Lexington and would likely locate outside of Lexington.

For an expansion project, I represent and certify that the financial incentives being provided in this application are necessary for the expansion to occur.

The undersigned, on behalf of the applicant, acknowledges that information contained within the application and its attachments may be subject to public disclosure to the extent required by law. Notwithstanding the above, except as otherwise agreed to by the applicant in writing, no confidential or proprietary application information shall be knowingly disclosed by the LFUCG if an appropriate legal exception exists. Information reported to the Economic Development Investment Board or the Urban County Council with regard to the incentive agreement, employment numbers, average wages, investment, eligible costs, approved costs and other information as required by an incentive agreement shall be available for public disclosure.

The undersigned, on behalf of the applicant, acknowledges that the applicant will be required to self-report annually the total amount of incentives claimed for each year during the term of the incentive agreement and agrees to provide this information annually. Failure to provide the information may result in suspension of incentives.

In addition, the undersigned, on behalf of the applicant, acknowledges and grants permission to the LFUCG to share any and all information contained within the application and its attachments with appropriate state agencies, local jurisdiction(s) and contracted consultants to determine the feasibility and potential impacts associated with the project for which incentives are sought.

Signature \_\_\_\_\_

Gregory Plucinski  
Print Name

COO  
Title

10-15-2014  
Date

*For Electronic Signature: The person responsible for signing the document may type his/her name in the signature field, but the name must be preceded by a "/s" (e.g., /s Jim Smith). An email is also required from the signer providing a statement certifying/authenticating the typed signature on the document is his/her signature.*

**APPLICATION FOR INCENTIVE PROGRAMS  
PROJECT INFORMATION**

Rev 5/2014

Date:

Is this an amendment to the initial application for incentives?

**APPLICANT INFORMATION (Entity applying for incentives)**

<b>Company Name</b>			
Summit Biosciences Inc.			
<b>Street Address</b>	<b>City</b>	<b>State</b>	<b>Zip Code</b>
1513 Bull Lea Road	Lexington	KY	40511
<b>Federal Employer ID Number</b>	<b>NAICS Code</b>	<b>Company Organization</b>	<b>State of Organization</b>
27-1252863	541380	Corporation	DE
<b>Contact Person</b>	<b>Title</b>	<b>Telephone</b>	<b>Fax</b>
Sonia Egbert	CAO	920-698-1375	859-254-0137
<b>Email Address</b>	<b>Company Website</b>		
segbert@summitbiosciences.com	www.summitbiosciences.com		
Is the applicant registered and in good standing with the Kentucky Secretary of State?			yes
Is the applicant registered and in good standing with the Kentucky Department of Revenue?			yes
Has the applicant, or any owner or affiliate of the applicant, ever been convicted of any criminal offenses, been in receivership or adjudicated a bankruptcy, or been denied a business related license or had a business related license suspended or revoked by any administrative, governmental or regulatory agency?			
no <i>If yes, please list the violation and explain (attach additional explanation if needed):</i>			

**PROJECT LOCATION**

<b>Street Address</b>	<b>City</b>	<b>State</b>	<b>Zip Code</b>
Unknown	Lexington	KY	40511
<b>County</b>	<b>Industry</b>	<b>Is location in a Tax Increment Financing District?</b>	
Fayette	Pharmaceutical Development & Manfg	no	
a) Will the applicant provide a service to or use technology for customer or affiliate entities predominantly outside Lexington?			yes
b) Is the applicant designed to serve a multistate, national or international market?			yes
Is the contact person for the project location the same as the person listed in the Applicant Information section? <input type="text" value="yes"/> <i>If no, then please complete the following:</i>			
<b>Contact Person</b>	<b>Email Address</b>	<b>Telephone</b>	<b>Fax</b>

**COMPANY OWNERSHIP**

Please identify all owners of the company with 20% or more interest in the company, including parent companies for subsidiaries. If owners are legal entities, please identify the officers serving on the board of directors, management committee of the applicant or other governing body or appropriate principals with governing oversight of the applicant entity and provide the requested information. LFUCG may run a background check on any individuals identified. If necessary, please submit listing on a separate document.

Company or Individual Name	Date of Birth	City	State	FEIN / Social Security Number	Ownership Percent
Edwin A. Cohen	5/9/1932	Montvale	NJ	051-24-8190	80.3%
Is the applicant or its owner publicly traded?				no	

**EXISTING LEXINGTON LOCATIONS**

Other than the proposed project, does the applicant have any existing Lexington locations?

*If yes, then please complete the following:*

Company Name	Address	City	Current number of full-time positions
Summit Biosciences Inc	1513 Bull Lea Road	Lexington	28
Summit Biosciences Inc	1500 Bull Lea Road	Lexington	0

*Please attach additional listing if more space is needed.*

**AFFILIATES WITH RELATION TO THE PROJECT**

Will any affiliated entity be the owner or lessor of the project?				no	If yes, please provide:
Affiliate Name	Address	City, State	FEIN		
Will any affiliated entity employ any employees at the site of the project?				no	If yes, please provide:
Affiliate Name	FEIN	Current number of full-time, Kentucky resident			

Please attach additional listing if more space is needed.  
**REQUIRED ATTACHMENT:** If either affiliate question is answered "yes" then a disclosure statement will be required to be submitted for each affiliated entity along with the applicant.

**PUBLIC INCENTIVES**

**LOCAL**  
 Is the company receiving other local incentives?   
 If yes, please list other local incentives:

**STATE**  
 Is the company receiving other state incentives?   
 If yes, please list other state incentives:

**FEDERAL**  
 Is the company receiving other federal incentives?   
 Is the company receiving an SBIR or STTR grant?   
 If yes, which partner agency?   
 If yes, which Phase?

**PRIVATE FINANCING**

Is the company receiving private financing?   
 If yes, please list the financing entity:

Please indicate the (\$) amount of financing for the project:

**PROJECT COSTS**

Fund Program	Grant
Proposed Length of Incentive (Years)	5
Dollar Amount Requested	\$ 1,902,000
Please provide the estimated expenses for the incentives	
Capital Expenses	\$ -
Operating Expenses	\$ 1,902,000
Land	\$ -
Building (new construction / acquisition / additions)	\$ -
Improvements (existing buildings)	\$ -
Equipment (including installation costs)	\$ -
Employee Costs	\$ 1,002,000
Facility Operating Costs	\$ 900,000
Start-up Costs (excluding equipment)	\$ -
Rent (leased projects only)	\$ -
Estimated annual rent: <input type="text"/>	
Number of years for rent: <input type="text"/>	
<b>TOTAL INCENTIVE REQUESTED</b>	<b>\$ 1,902,000</b>

Start-up Costs include the costs incurred to furnish and equip a facility, such as computers, furnishings, office

**EMPLOYMENT, WAGES & BENEFITS**

affiliate) at the project located in Lexington for at least 35 hours per week (Do not include contract employees)

	Full-time, Lexington
Current number at the project location	0
Total number of new jobs to be created	9
Total jobs projected by the end of the project	9

Total annual payroll for the current number of full-time, Lexington resident employees: \$ -

**Anticipated Wages for the New Jobs to be Created:**

Hourly Wage	\$ 45.67	Number of Jobs	1
Hourly Wage	\$ 43.27	Number of Jobs	1
Hourly Wage	\$ 42.31	Number of Jobs	1
Hourly Wage	\$ 36.06	Number of Jobs	3
Hourly Wage	\$ 15.38	Number of Jobs	3
Hourly Wage		Number of Jobs	
Unweighted Median Hourly Wage	\$ 42.31	Total Number of Jobs	9
		Incentive Dollars per Job	211333.3333

**Mean Wages for the New Jobs Above the County Mean defined by KYLM (\$20.50 per hour):**

Hourly Wage	\$ 45.67	Number of Jobs	1
Hourly Wage	\$ 43.27	Number of Jobs	1
Hourly Wage	\$ 42.31	Number of Jobs	1
Hourly Wage	\$ 36.06	Number of Jobs	3
Hourly Wage		Number of Jobs	
Hourly Wage		Number of Jobs	
Mean Hourly Wage	\$ 39.91	Total Number of Jobs	6

**Mean Wages for the New Jobs Below the County Mean defined by KYLM (\$20.50 per hour):**

Hourly Wage	\$ 15.38	Number of Jobs	3
Hourly Wage		Number of Jobs	
Hourly Wage		Number of Jobs	
Hourly Wage		Number of Jobs	
Hourly Wage		Number of Jobs	
Hourly Wage		Number of Jobs	
Mean Hourly Wage	\$ 15.38	Total Number of Jobs	3

Employee Benefits are payments by the company for its full-time employees for health insurance, life insurance,

Will new jobs created be offered at least some form of company paid employee benefit?  yes  
 What is the value of the benefit package as a percent of wages or salary?

Indicate which of the following employee benefits will be offered as a company-paid benefit:

<input checked="" type="checkbox"/> Life Insurance	<input type="checkbox"/> Dental Insurance	<input type="checkbox"/> Other Retirement
<input checked="" type="checkbox"/> Health Insurance	<input type="checkbox"/> Stock Purchase	<input type="checkbox"/> Profit Sharing
<input checked="" type="checkbox"/> Disability Insurance	<input type="checkbox"/> 401(k)	<input type="checkbox"/> Other (list below)
Stock Options, vacation, holiday		

**TOTAL EMPLOYMENT AND PAYROLL PROJECTIONS**

Please provide estimates for the cumulative new employment and new payroll to be created as a result of the project

	Cumulative Total New	Cumulative Total Payroll	
As of Activation Date	1	\$75,000	ERROR - JOBS MUST BE AT LEAS
End of Fiscal Year 1	5	\$408,000	ERROR - JOBS MUST BE AT LEAS
End of Fiscal Year 2	9	\$594,000	ERROR - JOBS MUST BE AT LEAS
End of Fiscal Year 3			
End of Fiscal Year 4			
End of Fiscal Year 5			
End of Fiscal Year 6			
End of Fiscal Year 7			
End of Fiscal Year 8			
End of Fiscal Year 9			
End of Fiscal Year 10			

**INCOME, SALES & PROFIT PROJECTIONS**

Please provide estimates for the Kentucky taxable income (loss), Kentucky gross sales and Kentucky gross profits to

	Kentucky Taxable	Kentucky Gross Sales	Kentucky Gross
End of Fiscal Year 1	\$4,840,000	\$13,929,000	\$10,428,000
End of Fiscal Year 2	\$4,950,000	\$15,470,000	\$12,373,000
End of Fiscal Year 3	\$11,658,000	\$25,291,000	\$20,858,000
End of Fiscal Year 4	\$13,931,000	\$28,434,000	\$23,631,000
End of Fiscal Year 5	\$13,931,000	\$28,434,000	\$23,631,000
End of Fiscal Year 6	\$13,931,000	\$28,434,000	\$23,631,000
End of Fiscal Year 7	\$13,931,000	\$28,434,000	\$23,631,000
End of Fiscal Year 8	\$13,931,000	\$28,434,000	\$23,631,000
End of Fiscal Year 9	\$13,931,000	\$28,434,000	\$23,631,000



End of Fiscal Year 10

**INCENTIVE USAGE INFORMATION**

**NEW LOCATION**

Will the project be a new location in Lexington?  *If no, skip to Expansion*

Site Acreage  Building Square Footage

The facility will be:

*New Constructions*: Provide the Anticipated Construction Dates. *Acquisitions*: Answer the following:  
 Start  Has the facility been unoccupied for more than 90 days?   
 Completion

**EXPANSION**

Will the project be an expansion of an existing facility?  *If no, skip to New Equipment*

- a) Does the project involve additions or renovations to existing buildings?
- b) Does the project involve relocation from an existing facility?
- c) If b) is yes, is real estate available at or adjacent to the existing facility?

Present Acreage   
 Increased Acreage   
 Total Acreage

Present Square Footage   
 Increased Square Footage   
 Total Square Footage

**NEW EQUIPMENT**

Will the incentive be for a purchase of new equipment?  *If no, skip to Operating Expenses*

Does the facility currently own a similar piece of equipment?   
 Will the new equipment be used for expanded capacity?

**OPERATING EXPENSES**

Will the incentive be for an operating subsidy?  *If yes, please list monthly expenses*

Monthly Lease	<input type="text" value="50,000"/>	Other	<input type="text"/>
Monthly Utilities	<input type="text" value="10,000"/>	List Other	<input type="text"/>
Monthly Payroll	<input type="text" value="49,500"/>	Expenses	
Monthly Supplies	<input type="text"/>		

If the incentive does not match any of the programs listed, please attach a document describing the proposed use of incentive funds with rationale.

**COLLATERAL**

Please indicate any collateral to secure incentives including serial numbers.  
 Cash Value of Collateral

Please list any lienholders on the existing collateral.

**FOR OFFICE USE ONLY**

Date Submitted   
 CDO Review   
 Board Review   
 Council Review

**PROGRAM:**  
 Grant  
 Loan

Financial Statements  Application Fee

**INTEREST:**  
 Loan Interest Rate  Penalty Rate

Company Letter







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ST 10

Summit Biosciences Inc.  
2014-2016 Cash Projections

	October	November	December	Q4	2014 Total	January	February	March	Q1
Total Revenue	466,701	523,225	255,432	1,245,358	5,696,542	543,225	543,225	543,225	1,629,675
Total Expenses	416,613	431,838	449,181	1,297,631	4,823,350	470,636	478,748	478,749	1,428,132
Operating Income (Loss)	50,088	91,387	(193,749)	(52,274)	873,192	72,589	64,477	64,476	201,543
Cash Used in Capital Asset Purchases	(25,000)	(25,000)	(25,000)	(75,000)	(251,684)	(25,000)	(25,000)	(25,000)	(75,000)
Cash From/(Used In) Financing Activities	0	0	0	0	0	0	0	0	0
Cash - Beginning of the Period	1,086,586	1,111,674	1,178,061	1,086,586	337,803	959,312	1,006,901	1,046,378	959,312
Cash - End of the Period	1,111,674	1,178,061	959,312	959,312	959,312	1,006,901	1,046,378	1,086,865	1,086,865

Summit Biosciences Inc.  
2014-2016 Cash Projections

	2015											
	April	May	June	Q2	July	August	September	Q3	October	November	December	Total
Total Revenue	730,525	630,525	630,525	1,991,575	962,255	962,255	962,255	2,946,784				
Total Expenses	489,242	489,243	489,245	1,467,730	567,775	488,357	488,358	1,544,490				
Operating Income (Loss)	241,283	141,282	141,280	523,845	414,479	483,898	483,897	1,402,274				
Cash Used in Capital Asset Purchases	(25,000)	(25,000)	(25,000)	(75,000)	(25,000)	(25,000)	(25,000)	(75,000)				
Cash From/(Used In) Financing Activities	0	0	0	0	0	0	0	0				
Cash - Beginning of the Period	1,085,855	1,302,137	1,418,419	1,085,855	1,534,700	1,924,179	2,393,077	1,534,700				
Cash - End of the Period	1,302,137	1,418,419	1,534,700	1,534,700	1,924,179	2,393,077	2,861,974	2,861,974				

Summit Biosciences Inc.  
2014-2016 Cash Projections

	2015							Q1	
	October	November	December	Q4	Total	January	February		March
Total Revenue	982,255	982,255	982,255	2,946,764	9,514,778	901,730	901,730	901,730	2,705,189
Total Expenses	548,356	548,357	548,358	1,645,070	6,085,423	555,815	555,815	555,815	1,667,444
Operating Income (Loss)	433,899	433,898	433,897	1,301,694	3,429,355	345,915	345,915	345,915	1,037,745
Cash Used in Capital Asset Purchases	(25,000)	(25,000)	(25,000)	(75,000)	(300,000)	(25,000)	(25,000)	(25,000)	(75,000)
Cash From/(Used In) Financing Activities	0	0	0	0	0	0	0	0	0
Cash - Beginning of the Period	2,861,974	3,270,873	3,879,771	2,861,974	959,312	4,088,667	4,409,582	4,730,497	4,088,667
Cash - End of the Period	<u>3,270,873</u>	<u>3,679,771</u>	<u>4,088,667</u>	<u>4,088,667</u>	<u>4,088,667</u>	<u>4,409,582</u>	<u>4,730,497</u>	<u>5,051,412</u>	<u>5,051,412</u>

Summit Biosciences Inc.  
2014-2016 Cash Projections

	2016												
	April	May	June	Q2	July	August	September	Q3	October	November	December	Q4	2016 Total
Total Revenue	1,056,199	1,056,199	1,056,199	3,168,598	1,056,199	1,056,199	1,056,199	3,168,598	1,056,199	1,056,199	1,056,199	3,168,598	12,210,984
Total Expenses	555,815	555,815	555,815	1,667,444	674,781	555,815	555,815	1,786,410	550,815	555,815	555,815	1,662,444	6,783,742
Operating Income (Loss)	500,385	500,385	500,385	1,501,154	381,418	500,385	500,385	1,382,188	505,385	500,385	500,385	1,506,154	5,427,242
Cash Used in Capital Asset Purchases	(25,000)	(25,000)	(25,000)	(75,000)	(25,000)	(25,000)	(25,000)	(75,000)	(25,000)	(25,000)	(25,000)	(75,000)	(300,000)
Cash From/(Used in) Financing Activities	0	0	0	0	0	0	0	0	0	0	0	0	0
Cash - Beginning of the Period	5,051,412	5,526,797	6,002,182	5,051,412	6,477,567	6,833,965	7,309,370	6,477,567	7,784,755	8,265,139	8,740,524	7,784,755	4,088,667
Cash - End of the Period	<u>5,526,797</u>	<u>6,002,182</u>	<u>6,477,567</u>	<u>6,477,567</u>	<u>6,833,965</u>	<u>7,309,370</u>	<u>7,784,755</u>	<u>7,784,755</u>	<u>8,265,139</u>	<u>8,740,524</u>	<u>9,215,909</u>	<u>9,215,909</u>	<u>9,215,909</u>

Financial Statements

2013

**Summit Biosciences Inc.**

December 31, 2013 and 2012



Financial Statements

**Summit Biosciences Inc.**

December 31, 2013 and 2012

<b>Independent Auditors' Report .....</b>	<b>1</b>
<b>Financial Statements</b>	
Balance Sheets .....	3
Statements of Operations .....	4
Statements of Stockholders' Deficit .....	5
Statements of Cash Flows .....	6
Notes to Financial Statements .....	7



**Strothman and Company**  
*Certified Public Accountants and Advisors*  
1600 Waterfront Plaza  
325 West Main Street  
Louisville, KY 40202  
502 585 1600

## **Independent Auditors' Report**



To the Board of Directors  
Summit Biosciences Inc.  
Lexington, Kentucky

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Summit Biosciences Inc. (the "Company"), which comprise the balance sheets as of December 31, 2013 and 2012, and the related statements of operations, stockholders' deficit, and cash flows for the years then ended, and the related notes to financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*STROTSMAN AND COMPANY*

Louisville, Kentucky  
June 5, 2014

Balance Sheets

Summit Biosciences Inc.

	<u>December 31</u>	
	<u>2013</u>	<u>2012</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 337,802	\$ 55,037
Accounts receivable	852,920	218,550
Inventories	9,500	9,500
Prepaid expenses and other current assets	<u>23,530</u>	<u>25,564</u>
<b>Total Current Assets</b>	1,223,752	308,651
Equipment	437,334	388,255
Leasehold improvements	<u>68,750</u>	<u>68,750</u>
	506,084	457,005
Less accumulated depreciation and amortization	<u>325,798</u>	<u>238,764</u>
<b>Property and Equipment</b>	180,286	218,241
<b>Other Assets</b>		
Deferred income tax asset	100,000	
Intangible assets		<u>12,609</u>
<b>Total Other Assets</b>	<u>100,000</u>	<u>12,609</u>
	<b>Total Assets</b>	<b>Total Assets</b>
	<u>\$ 1,504,038</u>	<u>\$ 539,501</u>
<b>Liabilities and Stockholders' Deficit</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 376,251	75,531
Accrued expenses	118,276	105,377
Current maturities of notes payable	62,500	62,605
Current maturities of capital lease obligations	<u>11,154</u>	<u>11,046</u>
<b>Total Current Liabilities</b>	568,181	254,559
<b>Long-Term Debt</b>		
Notes payable, less current maturities	62,500	125,000
Capital lease obligations, less current maturities	977	13,135
Accrued dividends	608,037	361,389
Deferred salaries	328,735	303,092
Loan from founder	<u>432,789</u>	<u>393,093</u>
<b>Total Long-Term Liabilities</b>	1,433,038	1,195,709
<b>Stockholders' Deficit</b>		
Series A convertible preferred stock, \$0.0001 par value, 7,200,000 shares authorized and 4,280,000 issued and outstanding	428	389
Common stock, \$0.0001 par value, 12,800,000 shares authorized and 3,910,000 issued and outstanding	391	391
Additional paid-in capital	4,467,240	3,970,570
Deficit accumulated	<u>(4,965,240)</u>	<u>(4,882,117)</u>
<b>Total Stockholders' Deficit</b>	<u>(497,181)</u>	<u>(910,767)</u>
	<b>Total Liabilities and Stockholders' Deficit</b>	<b>Total Liabilities and Stockholders' Deficit</b>
	<u>\$ 1,504,038</u>	<u>\$ 539,501</u>

See Notes to Financial Statements

Statements of Operations

Summit Biosciences Inc.

	<b>Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
<b>Revenues</b>		
Contract manufacturing revenues	\$ 3,029,008	\$ 566,946
Grants	17,729	23,611
Other revenues	500,780	952,387
<b>Total Revenues</b>	<b>3,547,517</b>	<b>1,542,944</b>
<b>Operating Expenses</b>		
Direct manufacturing expenses	1,570,063	302,039
Research and development	1,041,822	1,319,055
Personnel	567,736	419,044
Occupancy	133,957	78,836
Telecommunications	8,067	4,456
Professional	67,216	39,380
Travel	10,884	5,431
Other operating expenses	166,013	53,269
Other depreciation and amortization	51,202	30,513
<b>Total Operating Expenses</b>	<b>3,616,960</b>	<b>2,252,023</b>
<b>Operating Loss</b>	<b>(69,443)</b>	<b>(709,079)</b>
<b>Other Income (Expense)</b>		
Interest income	2,389	3,419
Questioned grant expenses	72,240	(72,240)
Forgiveness of debt income	62,152	60,268
Interest expense	(1,213)	(712)
<b>Total Other Income (Expense)</b>	<b>135,568</b>	<b>(9,265)</b>
<b>Net Income (Loss) Before Income Taxes</b>	<b>66,125</b>	<b>(718,344)</b>
<b>Income Tax Benefit</b>	<b>97,400</b>	
<b>Net Income (Loss)</b>	<b>\$ 163,525</b>	<b>\$ (718,344)</b>

See Notes to Financial Statements

Statements of Stockholders' Deficit

Summit Biosciences Inc.

Years Ended December 31, 2013 and 2012

	Series A Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Deficit Accumulated	Total
	Number of Shares	Amount	Number of Shares	Amount			
<b>Balance January 1, 2012</b>	3,200,000	\$ 321	3,910,000	\$ 391	\$ 3,256,908	\$ (3,943,581)	\$ (685,961)
Issuance of Series A Convertible Preferred Stock	675,000	68			674,932		675,000
Issuance of Stock Options					38,730		38,730
Dividends						(220,192)	(220,192)
Net loss						(718,344)	(718,344)
<b>Balance December 31, 2012</b>	3,875,000	389	3,910,000	391	3,970,570	(4,882,117)	(910,767)
Issuance of Series A Convertible Preferred Stock	405,000	39			431,611		431,650
Issuance of Stock Options					65,059		65,059
Dividends						(246,648)	(246,648)
Net income						163,525	163,525
<b>Balance December 31, 2013</b>	4,280,000	\$ 428	3,910,000	\$ 391	\$ 4,467,240	\$ (4,965,240)	\$ (497,181)

See Notes to Financial Statements

Statements of Cash Flows

**Summit Biosciences Inc.**

	<b>Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
<b>Operating Activities</b>		
Net income (loss)	\$ 163,525	\$ (718,344)
Adjustments to reconcile net income (loss) to net cash used in operating activities		
Depreciation and amortization	87,034	92,464
Noncash compensation from stock options	65,059	38,730
Forgiveness of debt income	(62,152)	(60,268)
Deferred salaries	25,643	72,370
Loss on disposal of intangible assets	12,609	
Deferred income tax benefit	(100,000)	
Changes in operating assets and liabilities		
Accounts receivable	(634,370)	(217,742)
Inventories		76,950
Prepaid expenses and other current assets	2,034	(2,533)
Accounts payable	300,720	(52,269)
Accrued expenses	12,899	51,867
Intangible assets		(12,609)
<b>Net Cash Used In Operating Activities</b>	<b>(126,999)</b>	<b>(731,384)</b>
<b>Investing Activities</b>		
Purchases of property and equipment	(49,079)	(25,915)
<b>Financing Activities</b>		
Payments on notes payable	(453)	(3,496)
Payments on capital lease obligations	(12,050)	(20,606)
Advances from founder	39,696	48,827
Proceeds from issuance of preferred stock	431,650	675,000
<b>Net Cash Provided By Financing Activities</b>	<b>458,843</b>	<b>699,725</b>
<b>Increase (Decrease) in Cash</b>	<b>282,765</b>	<b>(57,574)</b>
<b>Cash Beginning of Year</b>	<b>55,037</b>	<b>112,611</b>
<b>Cash End of Year</b>	<b>\$ 337,802</b>	<b>\$ 55,037</b>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Interest paid	\$ 1,213	\$ 2,157

See Notes to Financial Statements

Notes to Financial Statements

**Summit Biosciences Inc.**

December 31, 2013 and 2012

**Note A--Description of Business**

Summit Biosciences Inc. (the "Company") is a Delaware corporation. The Company is a specialty pharmaceutical company located in Lexington, Kentucky and is focused on developing, manufacturing and commercializing generic and innovative nasal spray drug products distributed throughout the United States.

The Company's goal is to become a leader in the field of intranasal pharmaceutical drug product development and manufacturing. The Company intends to accomplish this by applying its unique formulation and manufacturing expertise and by leveraging its low cost, state-of-the-art cGMP manufacturing and packaging equipment to address a high-growth, niche market.

For the period of inception (October 22, 2009) through December 31, 2012, the Company was a development stage company. During the year ended December 31, 2013, the Company began to generate significant revenues and principal operations commenced related to intranasal pharmaceutical drug products. Therefore, effective January 1, 2013, Company was no longer a development stage company.

**Note B--Summary of Significant Accounting Policies**

The Company follows generally accepted accounting principles as outlined in the Financial Accounting Standards Board's Accounting Standards Codification. Significant accounting policies are as follows:

Accounts Receivable--Accounts receivable consists of fees from customers for contract manufacturing services. The Company has not experienced any bad debts to date and has not recorded an allowance for doubtful accounts as of December 31, 2013 and 2012.

Inventories--Inventories are stated at the lower of cost (first-in, first-out method) or market.

Property and Equipment--The Company's policy is to capitalize asset purchases exceeding \$1,000 with a useful life greater than one year. Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization expense is calculated on the straight-line method. Depreciation and amortization expense for the years ended December 31, 2013 and 2012 is \$87,034 and \$92,464, respectively. The estimated useful lives of the assets, as follows:

Computer equipment	3 years
Equipment	2 – 5 years
Manufacturing equipment	10 years

Continued



Notes to Financial Statements--Continued

**Summit Biosciences Inc.**

December 31, 2013 and 2012

**Note B--Summary of Significant Accounting Policies--Continued**

Impairment of Long-Lived Assets--Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that full recoverability is questionable. Management evaluates the recoverability of equipment using several factors in the valuation including, but not limited to, management's plans for future operations, recent operating results and projected cash flows. Impairment losses are recognized when the fair value of the assets is less than their carrying amount. Management has determined there were no charges for impairment during the years ended December 31, 2013 and 2012.

Intangible Assets--During 2012, the Company filed a patent related to substance and alcohol abuse treatment under development. This patent is stated at cost less accumulated amortization. Amortization expense is calculated on the straight-line method over the life of the patent. As of December 31, 2012, the patent was in the process of being filed and the associated legal fees had been included in the accompanying balance sheet. The Company had not received award notification of the patent before December 31, 2012; therefore, no amortization expense was recorded in the accompanying financial statements. As of December 31, 2013, the Company determined that the patent did not have any economic feasibility. Therefore, the patent was expensed as of December 31, 2013 and the related legal fees are included as professional fees on the accompanying statements of operations.

Revenue Recognition--The Company recognizes revenues from customers when the products have been shipped to the customers. The Company recognizes revenue from milestone contracts when the performance obligations have been met by the Company.

Income Taxes--The Company is taxed as a corporation under the Internal Revenue Code. Accordingly, federal and state income taxes are imposed on the Company in the accompanying statements of operations.

Deferred income taxes are recognized for temporary differences between income for financial statement purposes and income for tax purposes. The difference between the financial statement and tax bases of assets and liabilities is determined annually. Deferred income tax assets and liabilities are computed for those differences that have future tax consequences using the currently enacted tax laws and rates that apply to the periods in which they are expected to affect taxable income. Valuation allowances are established, if necessary, to reduce the deferred tax assets to the amounts that will more likely than not be realized. Income tax expense is the current tax payable or refundable for the period plus or minus the net change in the deferred tax assets and liabilities.

Certain transactions of the Company may be subject to accounting methods for federal income tax purposes which differ significantly from the accounting methods used in preparing the consolidated financial statements in accordance with generally accepted accounting principles. Accordingly, the net income of the Company reported for federal income tax purposes may differ from net income in these financial statements.

Continued

Notes to Financial Statements--Continued

**Summit Biosciences Inc.**

December 31, 2013 and 2012

**Note B--Summary of Significant Accounting Policies--Continued**

Accounting for Uncertain Tax Positions--The Company accounts for uncertain income tax positions in accordance with generally accepted accounting principles, which prescribe a comprehensive model for how a company should measure, recognize, present, and disclose in its financial statements uncertain tax positions that the company has taken or expects to take on a tax return. The Company recognizes the tax benefits from uncertain tax positions only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such positions are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

It is the Company's policy to expense any interest and penalties associated with uncertain income tax positions in the year that the tax position is taken on the tax return. Interest is reported as interest expense and penalties are reported as other expenses.

For the years ended December 31, 2013 and 2012, the Company determined it did not have any uncertain tax positions and the Company did not incur or accrue any associated interest or penalties related to those positions.

The Company's open audit periods are 2010 through 2013. In evaluating the Company's tax provisions and accruals, future taxable income, the reversal of temporary differences, interpretations, and tax planning strategies are considered. The Company believes their estimates are appropriate based on current facts and circumstances.

Research and Development Costs--Research and development costs are expensed as incurred.

Fair Value of Financial Instruments--The carrying amounts for cash, accounts receivable, accounts payable and accrued expenses approximate their fair value due to their short maturity and variable rates of interest.

Use of Estimates--The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events--In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through June 5, 2014, the date the financial statements were available to be issued.

**Note C--Inventories**

Inventories at December 31, 2013 and 2012 consist of \$9,500 in raw component materials for manufacturing intranasal pharmaceutical products.

Notes to Financial Statements—Continued

**Summit Biosciences Inc.**

December 31, 2013 and 2012

**Note D--Notes Payable**

Notes payable consist of the following:

	<u>December 31</u>	
	<u>2013</u>	<u>2012</u>
Note payable to a government agency, due in four annual installments of \$62,500 unless certain employment requirements have been met, then payments are waived. The note bears no interest and matures on June 30, 2015 and is collateralized by a letter of credit.	\$ 125,000	\$ 187,500
Notes payable repaid during current year		<u>105</u>
	125,000	187,605
Less current maturities	<u>(62,500)</u>	<u>(62,605)</u>
	<u>\$ 62,500</u>	<u>\$ 125,000</u>

During the years ended December 31, 2013 and 2012, the Company paid \$348 and \$2,232, respectively, for not achieving the required employment targets related to this note payable. The portion of this note payable that was forgiven by the government agency is included in forgiveness of debt income on the accompanying statements of operations.

If the employment criteria discussed above is not met, future maturities of notes payable are as follows:

2014	\$ 62,500
2015	<u>62,500</u>
	<u>\$ 125,000</u>

**Note E--Letter of Credit**

The Company has an unused letter of credit for the years ended December 31, 2013 and 2012 in the amounts of \$125,000 and \$187,500, respectively. The letter of credit was established for collateral on the unpaid principal balance of the note payable listed above to a government agency.

Notes to Financial Statements--Continued

**Summit Biosciences Inc.**

December 31, 2013 and 2012

**Note F--Capital Lease Obligations**

The Company leases certain equipment under terms that are classified as capital leases. Capital lease obligations consist of the following:

	<b>December 31</b>	
	<b>2013</b>	<b>2012</b>
Capital lease obligation payable to a lease financing company with interest at 10.99%; monthly principal and interest payments of \$1,004 through February 2015; collateralized by equipment	\$ 12,131	\$ 23,134
Capital lease obligation repaid during current year		<u>1,047</u>
	12,131	24,181
Less current maturities	<u>(11,154)</u>	<u>(11,046)</u>
<b>Total Long-Term Capital Lease Obligations</b>	<b><u>\$ 977</u></b>	<b><u>\$ 13,135</u></b>

The following is a schedule of future minimum capital lease payments as of December 31, 2013:

2014	\$ 12,048
2015	<u>2,008</u>
Total minimum lease payments	14,056
Amount representing interest	<u>(1,925)</u>
Present value net minimum lease payments	12,131
Less current portion	<u>(11,154)</u>
<b>Long-Term Portion</b>	<b><u>\$ 977</u></b>

Equipment acquired under capital leases included in the balance sheets consists of the following:

	<b>Year Ended December 31</b>	
	<b>2013</b>	<b>2012</b>
Equipment	\$ 60,850	\$ 60,850
Less accumulated amortization	<u>(49,519)</u>	<u>(38,890)</u>
	<b><u>\$ 11,331</u></b>	<b><u>\$ 21,960</u></b>

Notes to Financial Statements--Continued

**Summit Biosciences Inc.**

December 31, 2013 and 2012

**Note G--Preferred Stock**

The Company authorized 12,800,000 shares of \$0.0001 par value common stock and 7,200,000 shares of \$0.0001 par value preferred stock. During the years ended December 31, 2013 and 2012, 405,000 and 675,000 shares of preferred stock were issued for \$431,650 and \$675,000, respectively. Stock warrants were attached to preferred stock shares issued during 2013 for a total of 190,000 shares. Of which, 165,000 warrants were exercised for \$1,650 and were included in the preferred stock totals above. No such warrants were issued for 2012.

A cumulative dividend of 6% of the original issue price, as defined in the First Amended and Restated Certificate of Incorporation, is payable upon declaration of the dividend by the Board of Directors. As of December 31, 2013 and 2012, no dividends have been declared and the accrued dividends included in the accompanying balance sheets of \$608,037 and \$361,389, respectively, have been earned by the preferred stockholders. Under the terms of the First Amended and Restated Certificate of Incorporation, the Company may be required to redeem shares of the preferred stock on or after June 30, 2017, if requested by the holders of a majority of the outstanding shares of preferred stock. The redemption price would be the greater of the original issue price plus any unpaid dividends or the fair market value of the shares as of the redemption date.

The issued and outstanding shares of preferred stock contain voting rights equal to its equivalent shares of common stock and are convertible into shares of common stock based upon a formula stated in the Amended Articles of Incorporation.

The preferred stock agreement contains a number of provisions designed to protect the holders. These include, among other things, the following:

- The Company may not declare or pay any dividends to common stock holders until all accrued preferred stock dividends have been paid in full.
- The Company may not repurchase, exchange or redeem any common stock until all accrued preferred stock dividends have been paid in full.
- Liquidation preference of the original issue price of each share plus any accrued but unpaid dividends on each share.

**Note H--Stock Options**

The Company has adopted the Summit Biosciences Inc. 2009 Stock Plan (the "Plan") under which 1,690,000 shares of common stock have been reserved for the granting of options to the employees of the Company. The employees become vested in their option rights at a rate of 25% on the first anniversary date of the vesting start date with the remainder vesting in equal monthly installments over the three year period following the first anniversary of the vesting start date. The options are fully vested four years from the vesting start date. Vested options may be exercised at any time before the expiration of ten years from the date of the grant.

Continued

Notes to Financial Statements--Continued

**Summit Biosciences Inc.**

December 31, 2013 and 2012

**Note H--Stock Options--Continued**

The Company accounts for stock awards using the calculated value method. The Company recognizes compensation expense for options granted. Using the Black-Sholes option pricing model, management has determined that the options issued have a calculated value of \$1.00 per share.

The Company recognized compensation expense of \$65,059 and \$38,730 in the personnel expense in the accompanying statements of operations related to these stock options for the years ended December 31, 2013 and 2012, respectively. The Company has also recorded an increase in additional paid-in capital for the compensation expense related to these stock options.

The assumptions used and the weighted average calculated value of options are as follows:

	<b>December 31</b>	
	<b>2013</b>	<b>2012</b>
Weighted average calculated value of options granted	\$ 1.000	\$ 1.000
Expected dividend yield	-	-
Risk free interest rate	2.35%	1.80%
Expected volatility	80.00%	80.00%
Expected term of options in years	10	10

The following is a summary of the option transactions:

	<b>Shares</b>	<b>Weighted Average Exercise Price Per Share</b>
Outstanding at January 1, 2012	660,828	
Granted - options	465,655	\$ 1.0000
Expired/forfeited	<u>(77,134)</u>	1.0000
<b>Balance at December 31, 2012</b>	1,049,349	\$ 0.7443
Granted - options	69,350	1.0000
Expired/forfeited	<u>(31,055)</u>	1.0000
<b>Balance at December 31, 2013</b>	<u>1,087,644</u>	\$ 0.7547

Notes to Financial Statements--Continued

**Summit Biosciences Inc.**

December 31, 2013 and 2012

**Note I--Income Taxes**

The provision for income tax expense (benefit) consists of the following for 2013:

Current		
Federal	\$	20,000
State and local		2,600
Benefit of net operating loss carryforward		<u>(20,000)</u>
		2,600
Deferred income tax benefit		<u>(100,000)</u>
<b>Total Income Tax Benefit</b>	<b>\$</b>	<b><u>(97,400)</u></b>

There was no income tax expense (benefit) for 2012.

The Company has generated net operating loss carryforwards totaling approximately \$3,720,000, which will expire through 2030.

A valuation allowance is provided when it is more likely than not that some portion of the deferred tax assets will not be realized. Based on management's estimates of future taxable income, a valuation allowance was provided to reduce the deferred tax assets based on the expected level of future taxable income.

The amount that would be obtained by applying tax rates to the income (loss) reported in the financial statements differs from the income tax reported. The 2013 net income before income taxes did not result in a current income tax expense as the Company reduced its valuation allowance. The \$161,000 decrease in the valuation allowance during 2013 reflects use of net operating loss carryforwards in 2013 plus an estimate of the benefit of net operating loss carryforwards that can be reasonably estimated to be used in the future. The Company continues to recognize a \$1,055,000 valuation allowance related to its remaining unused net operating loss carryforward because of the uncertainty about its realization. Changes in the estimated tax benefit that will be realized from the remaining net operating loss carryforwards will be recognized in the financial statements in the years in which those changes occur.

The tax effect of each temporary difference that results in significant deferred tax assets (liabilities) is as follows:

	<u>December 31</u>	
	<u>2013</u>	<u>2012</u>
Accelerated methods of depreciation	\$ (42,000)	\$ (29,000)
Various accruals and reserves	(66,000)	(77,000)
Net operating loss carryforwards	1,263,000	1,322,000
Valuation allowance	<u>(1,055,000)</u>	<u>(1,216,000)</u>
	<u>\$ 100,000</u>	<u>\$ -</u>



Notes to Financial Statements--Continued

**Summit Biosciences Inc.**

December 31, 2013 and 2012

**Note J--Leases**

The Company leases its operating facility under an operating lease that expires in May 2015 with five options to renew for a period of one year each. Total lease expense was \$195,833 and \$187,917 for the years ended December 31, 2013 and 2012, respectively.

Minimum future rental payments under noncancellable operating leases are as follows:

Year Ending December 31

2014	\$	200,000
2015		<u>83,333</u>
<b>Total Minimum Future Rental Payments</b>	<b>\$</b>	<b><u>283,333</u></b>

**Note K--Retirement Plan**

The Company has a defined contribution retirement plan (under Section 401(k) of the Internal Revenue Code) that covers all employees 21 years of age and have completed one hour of service. At its discretion, the Company may match employee contributions and may contribute an additional profit sharing piece at the end of the year. For the years ended December 31, 2013 and 2012, no such contributions were made.

**Note L--Concentrations**

The Company receives a significant portion of their revenues, 99% (2013) and 98% (2012), from three customers.

**Note M--Research and Development Contracts**

The Company entered into a master supply agreement ("MSA") with a mid-sized generic pharmaceutical manufacturing company ("Customer"), on June 9, 2009. The terms of the agreement include the development, manufacturing and supply of pharmaceutical products for the Customer's use, distribution and sale. The term of the agreement is three years from the date on which the Customer receives Food and Drug Administration ("FDA") approval to use, distribute and sell the product and may be extended, for additional terms of one year. The Company is recognizing revenue from all products as part of this MSA using the milestone method as milestones are being met. Under the MSA, the Company receives \$350,000 per product in milestone payments during product development and recognizes the associated revenues starting with the signing of the MSA and other substantive milestones through the approval of the Abbreviated New Drug Application ("ANDA"). There are five products covered by the MSA agreement.

Continued

Notes to Financial Statements--Continued

**Summit Biosciences Inc.**

December 31, 2013 and 2012

**Note M--Research and Development Contracts--Continued**

During commercial manufacturing, the Company will be reimbursed for the fully burdened cost per unit. The Company will also be paid a royalty of 50% on net sales dollars for each product. During 2013, there was \$50,000 in revenue related to this agreement recognized and no revenue was recognized during 2012. An additional \$450,000 was received from the customer during 2013 that is not directly related to this contract, and is included in other revenues on the statements of operations. The costs associated with this agreement for the years ended December 31, 2013 and 2012 were approximately \$1,011,000 and \$839,000, respectively.

If the Customer chooses to not extend the term of the MSA for any developed products, the Company has the option to purchase all rights to manufacture the product, including access to the Customer's ANDA, regulatory filings and all related documentation for a sum equal to the technology transfer fee of \$350,000 per product. Following full payment to the Customer, all rights shall transfer to and become property of the Company.

Financial Statements

2012

**Summit Biosciences Inc.**  
(A Development Stage Company)

December 31, 2012



Strothman+Co

Financial Statements

**Summit Biosciences Inc.**  
(A Development Stage Company)

December 31, 2012

<b>Independent Auditors' Report .....</b>	<b>1</b>
<b>Financial Statements</b>	
Balance Sheet .....	3
Statements of Operations .....	4
Statements of Stockholders' Deficit .....	5
Statements of Cash Flows .....	6
Notes to Financial Statements .....	7

**Strothman and Company**  
*Certified Public Accountants and Advisors*  
1600 Waterfront Plaza  
325 West Main Street  
Louisville, KY 40202  
502 585 1600



## **Independent Auditors' Report**

To the Board of Directors  
Summit Biosciences Inc.  
Lexington, Kentucky

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of Summit Biosciences Inc. (the "Company"), a development stage company, which comprise the balance sheet as of December 31, 2012, and the related statements of operations, stockholders' deficit, and cash flows for the period from inception (October 22, 2009) through December 31, 2012 and for the year ended December 31, 2012, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2012 and the results of its operations and its cash flows for the period from inception (October 22, 2009) through December 31, 2012 and for the year ended December 31, 2012 in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of a Matter Regarding Going Concern***

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note C to the financial statements, the Company's significant operating losses from development stage activities raise substantial doubt about its ability to continue as a going concern unless adequate additional financing or capital is obtained. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to that matter.

*STROTSMAN + CO*

Louisville, Kentucky  
June 25, 2013

Balance Sheet

**Summit Biosciences Inc.**  
(A Development Stage Company)

December 31, 2012

**Assets**

**Current Assets**

Cash	\$ 55,037
Accounts receivable	218,550
Inventories	9,500
Prepaid expenses and other current assets	<u>25,564</u>

**Total Current Assets** 308,651

Equipment	388,255
Leasehold improvements	<u>68,750</u>

457,005

Less accumulated depreciation	<u>238,764</u>
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**Property and Equipment, net** 218,241

**Other Assets**

Intangible assets	<u>12,609</u>
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**Total Assets** \$ 539,501

**Liabilities and Stockholders' Deficit**

**Current Liabilities**

Accounts payable	\$ 75,531
Accrued expenses	105,377
Current maturities of notes payable	62,605
Current maturities of capital lease obligations	<u>11,046</u>

**Total Current Liabilities** 254,559

**Long-Term Debt**

Notes payable, less current maturities	125,000
Capital lease obligations, less current maturities	13,135
Accrued dividends	361,389
Deferred salaries	303,092
Loan from founder	<u>393,093</u>

**Total Long-Term Liabilities** 1,195,709

**Total Liabilities** 1,450,268

**Stockholders' Deficit**

Series A Convertible Preferred stock, \$0.0001 par value, 7,200,000 shares authorized and 3,875,000 issued and outstanding	389
Common stock, \$0.0001 par value, 12,800,000 shares authorized and 3,910,000 issued and outstanding	391
Additional paid-in capital	3,970,570
Deficit accumulated during development stage	<u>(4,882,117)</u>

**Total Stockholders' Deficit** (910,767)

**Total Liabilities and Stockholders' Deficit** \$ 539,501

See Notes to Financial Statements



Statements of Operations

**Summit Biosciences Inc.**  
(A Development Stage Company)

	<b>Year Ended December 31 2012</b>	<b>Period of Inception (October 22, 2009) through December 31 2012</b>
<b>Revenues</b>		
Milestone revenues		\$ 650,000
Contract manufacturing revenues	\$ 566,946	683,506
Grants	23,611	192,584
Other revenues	952,387	952,387
<b>Total Revenues</b>	<b>1,542,944</b>	<b>2,478,477</b>
<b>Operating Expenses</b>		
Cost of sales	302,039	302,039
Research and development	1,319,055	1,970,597
Personnel	419,044	2,809,924
Occupancy	78,836	608,653
Telecommunications	4,456	37,064
Professional	39,380	547,884
Travel	5,431	46,576
Other operating expenses	53,269	486,704
Depreciation	30,513	176,813
<b>Total Operating Expenses</b>	<b>2,252,023</b>	<b>6,986,254</b>
<b>Operating Loss</b>	<b>(709,079)</b>	<b>(4,507,777)</b>
<b>Other Income (Expense)</b>		
Interest income	3,419	5,370
Questioned grant expenses	(72,240)	(72,240)
Forgiveness of debt income	60,268	60,268
Interest expense	(712)	(6,349)
<b>Total Other Income (Expense)</b>	<b>(9,265)</b>	<b>(12,951)</b>
<b>Net Loss</b>	<b>\$ (718,344)</b>	<b>\$ (4,520,728)</b>

See Notes to Financial Statements

Statements of Stockholders' Deficit

**Summit Biosciences Inc.**  
(A Development Stage Company)

Period of Inception (October 22, 2009) through December 31, 2012

	Series A Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Deficit Accumulated during Development Stage	Total
	Number of Shares	Amount	Number of Shares	Amount			
Issuance of Common Stock			3,910,000	\$ 391		\$	391
Issuance of Series A Convertible Preferred Stock	3,200,000	\$ 321			\$ 3,199,679		3,200,000
Issuance of Stock Options					57,229		57,229
Dividends						\$ (141,197)	(141,197)
Net loss for the period from inception (October 22, 2009) through December 31, 2011						(3,802,384)	(3,802,384)
<b>Balance</b>							
<b>December 31, 2011</b>	3,200,000	321	3,910,000	391	3,256,908	(3,943,581)	(685,961)
Issuance of Series A Convertible Preferred Stock	675,000	68			674,932		675,000
Issuance of Stock Options					38,730		38,730
Dividends						(220,192)	(220,192)
Net loss						(718,344)	(718,344)
<b>Balance</b>							
<b>December 31, 2012</b>	3,875,000	\$ 389	3,910,000	\$ 391	\$ 3,970,570	\$ (4,882,117)	\$ (910,767)

See Notes to Financial Statements

Statements of Cash Flows

**Summit Biosciences Inc.**  
(A Development Stage Company)

	<u>Year Ended December 31 2012</u>	<u>Cumulative Since Inception</u>
<b>Operating Activities</b>		
Net loss	\$ (718,344)	\$ (4,520,728)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation	92,464	238,764
Noncash compensation from stock options	38,730	95,959
Forgiveness of debt income	(60,268)	(60,268)
Deferred salaries	72,370	303,092
Changes in operating assets and liabilities		
Accounts receivable	(217,742)	(218,550)
Inventories	76,950	(9,500)
Prepaid expenses and other current assets	(2,533)	(25,564)
Accounts payable	(52,269)	75,531
Accrued expenses	51,867	105,377
Intangible assets	(12,609)	(12,609)
<b>Net Cash Used In Operating Activities</b>	<u>(731,384)</u>	<u>(4,028,496)</u>
<b>Investing Activities</b>		
Purchase of property and equipment	(25,915)	(471,827)
Proceeds from sale-leaseback transaction		60,000
Advances from founder	48,827	393,093
<b>Net Cash Provided By (Used In) Investing Activities</b>	<u>22,912</u>	<u>(18,734)</u>
<b>Financing Activities</b>		
Proceeds on notes payable		253,790
Payments on notes payable	(3,496)	(5,917)
Payments on capital lease obligations	(20,606)	(20,606)
Proceeds from issuance of preferred stock	675,000	3,875,000
<b>Net Cash Provided By Financing Activities</b>	<u>650,898</u>	<u>4,102,267</u>
<b>(Decrease) Increase in Cash</b>	<u>(57,574)</u>	<u>55,037</u>
<b>Cash Beginning of Period</b>	<u>112,611</u>	
<b>Cash End of Period</b>	<u>\$ 55,037</u>	<u>\$ 55,037</u>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Interest paid	<u>\$ 2,157</u>	<u>\$ 6,349</u>
<b>Supplemental Disclosure of Noncash Investing and Financing Information</b>		
Issuance of stock options	<u>\$ 38,730</u>	<u>\$ 95,959</u>

See Notes to Financial Statements

Notes to Financial Statements

**Summit Biosciences Inc.**  
(A Development Stage Company)

December 31, 2012

**Note A--Description of Business**

Summit Biosciences Inc. (the "Company") is a Delaware corporation. The Company is a specialty pharmaceutical company focused on developing, manufacturing and commercializing generic and innovative nasal spray drug products.

The Company's goal is to become a leader in the field of intranasal pharmaceutical drug product development and manufacturing. The Company intends to accomplish this by applying its unique formulation and manufacturing expertise and by leveraging its low cost, state-of-the-art cGMP manufacturing and packaging equipment to address a high-growth, niche market.

The Company has invested a significant amount of its effort and cash in research and development activities. The Company is subject to risks common to technology-based companies including, but not limited to, the development of new technology, development of markets and distribution channels, dependence on key personnel and the ability to obtain additional capital as needed to meet its product plans.

**Note B--Summary of Significant Accounting Policies**

The Company follows generally accepted accounting principles as outlined in the Financial Accounting Standards Board's *Accounting Standards Codification* ("ASC"). Significant accounting policies are as follows:

Accounts Receivable--Accounts receivable consists of fees from customers for contract manufacturing services. The Company has not experienced any bad debts to date and has not recorded an allowance for doubtful accounts as of December 31, 2012.

Inventories--Inventories are stated at the lower of cost (first-in, first-out method) or market.

Property and Equipment--The Company's policy is to capitalize asset purchases exceeding \$1,000 with a useful life greater than one year. Property and equipment are stated at cost less accumulated depreciation. Depreciation expense is calculated on the straight-line method over the estimated useful lives of the assets, as follows:

Computer equipment	3 years
Equipment	2 - 5 years
Manufacturing equipment	10 years

Impairment of Long-Lived Assets--The Company reviews for the impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss would be recognized when estimated future cash flows expected to result from the use of the asset and its eventual disposition are less than its carrying amount. There were no charges for impairments of long-lived assets during the year.

Continued

Notes to Financial Statements--Continued

**Summit Biosciences Inc.**  
(A Development Stage Company)

December 31, 2012

**Note B--Summary of Significant Accounting Policies--Continued**

Revenue Recognition--The Company recognizes revenues from customers when the products have been shipped to the customers. The Company recognizes revenue from milestones when the performance obligations have been met by the Company.

Income Taxes--The Company is taxed as a corporation under the Internal Revenue Code. Accordingly, federal and state income taxes are imposed on the Company in the accompanying statements of operations.

Deferred income taxes are recognized for temporary differences between income for financial statement purposes and income for tax purposes. The difference between the financial statement and tax bases of assets and liabilities is determined annually. Deferred income tax assets and liabilities are computed for those differences that have future tax consequences using the currently enacted tax laws and rates that apply to the periods in which they are expected to affect taxable income. Valuation allowances are established, if necessary, to reduce the deferred tax assets to the amounts that will more likely than not be realized. Income tax expense is the current tax payable or refundable for the period plus or minus the net change in the deferred tax assets and liabilities.

Accounting for Uncertain Tax Positions--The Company recognizes the tax benefits from uncertain tax positions only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such positions are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

It is the Company's policy to expense any interest and penalties associated with uncertain income tax positions in the year that the tax position is taken on the tax return. Interest is reported as interest expense and penalties are reported as other expenses.

The Company's open audit periods are 2010 and 2011. The Company determined they did not have any uncertain tax positions and the Company did not incur or accrue any associated interest or penalties related to those positions.

Research and Development Costs--Research and development costs are expensed as incurred.

Fair Value of Financial Instruments--The carrying amounts for cash, accounts receivable, accounts payable and accrued expenses approximate their fair value due to their short maturity and variable rates of interest.

Use of Estimates--The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Continued

Notes to Financial Statements--Continued

**Summit Biosciences Inc.**  
(A Development Stage Company)

December 31, 2012

**Note B--Summary of Significant Accounting Policies--Continued**

Intangible Assets--The Company has filed a patent related to substance and alcohol abuse treatment under development. This patent is stated at cost less accumulated amortization. Amortization expense is calculated on the straight-line method over the life of the patent. As of December 31, 2012, the patent was in the process of being filed and the associated legal fees have been included in the accompanying balance sheet. The Company had not received award notification of the patent before December 31, 2012; therefore, no amortization expense is recorded in the accompanying financial statements.

Subsequent Events--In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through June 25, 2013, the date the financial statements were available to be issued.

**Note C--Going Concern**

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company incurred a net operating loss of approximately \$718,000 for the year ended December 31, 2012 and has a deficit accumulated during the development stage of approximately \$4.9 million at December 31, 2012. Operating losses are expected to continue in 2013. The uncertainty related to the Company's ability to raise additional funds along with the Company's continued operating losses raises substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments related to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. Management believes that additional funding can be raised through contract manufacturing agreements, pharmaceutical licensing agreements, new equity financing or additional funding from existing investors. In addition, management would adjust operating expenses for cost containment purposes.

**Note D--Inventories**

Inventories at December 31, 2012 consist of \$9,500 in raw component materials for manufacturing intranasal pharmaceutical products.

Notes to Financial Statements--Continued

**Summit Biosciences Inc.**  
(A Development Stage Company)

December 31, 2012

**Note E--Notes Payable**

Notes payable as of December 31, 2012 consist of the following:

Note payable to a government agency, due in four annual installments of \$62,500 unless certain employment requirements have been met, then payments are waived. The note bears no interest and matures on June 30, 2016 and is collateralized by a letter of credit.	\$ 187,500
Note payable to a vendor, due in 36 monthly installments of \$105. The note bears no interest and final payment is due on February 26, 2013. The note is collateralized by equipment.	<u>105</u>
	187,605
Less current maturities	<u>(62,605)</u>
	<u>\$ 125,000</u>

If the employment criteria discussed above is not met, future maturities of notes payable are as follows:

2013	\$ 62,605
2014	62,500
2015	<u>62,500</u>
	<u>\$ 187,605</u>

Notes to Financial Statements--Continued

**Summit Biosciences Inc.**  
(A Development Stage Company)

December 31, 2012

**Note F--Capital Lease Obligations**

The Company leases certain equipment under terms that are classified as capital leases. Capital lease obligations as of December 31, 2012 consist of the following:

Capital lease obligation payable to a lease financing company with interest at 14.36%; monthly principal and interest payments of \$1,060 through January 2013; collateralized by equipment	\$ 1,047
Capital lease obligation payable to a lease financing company with interest at 10.99%; monthly principal and interest payments of \$1,004 through February 2015; collateralized by equipment	<u>23,134</u>
	24,181
Less current maturities	<u>(11,046)</u>
<b>Total Long-Term Maturities</b>	<b><u>\$ 13,135</u></b>

The following is a schedule of future minimum capital lease payments as of December 31, 2012:

2013	\$ 13,108
2014	12,048
2015	<u>2,008</u>
Total minimum lease payments	27,164
Amount representing interest	<u>(2,983)</u>
Present value net minimum lease payments	24,181
Less current portion	<u>(11,046)</u>
<b>Long-Term Portion</b>	<b><u>\$ 13,135</u></b>

Equipment acquired under capital leases included in the balance sheet consists of the following:

Equipment	\$ 60,850
Less accumulated depreciation	<u>(38,890)</u>
	<b><u>\$ 21,960</u></b>



Notes to Financial Statements--Continued

**Summit Biosciences Inc.**  
(A Development Stage Company)

December 31, 2012

**Note G--Preferred Stock**

The Company authorized 12,800,000 shares of \$0.0001 par value common stock and 7,200,000 shares of \$0.0001 par value preferred stock. During the year ended December 31, 2012, 675,000 shares of preferred stock were issued for \$675,000. A cumulative dividend of 6% is payable upon declaration of the dividend by the Board of Directors. Under the terms of the First Amended and Restated Certificate of Incorporation, the Company may be required to redeem shares of the preferred stock on or after June 30, 2017, if requested by the holders of a majority of the outstanding shares of preferred stock. The redemption price would be the greater of the original issue price plus any unpaid dividends or the fair market value of the shares as of the redemption date.

The issued and outstanding shares of preferred stock contain voting rights equal to its equivalent shares of common stock and are convertible into shares of common stock based upon a formula stated in the Amended Articles of Incorporation.

The preferred stock agreement contains a number of provisions designed to protect the holders. These include, among other things, the following:

- The Company may not declare or pay any dividends to common stock holders until all accrued preferred stock dividends have been paid in full.
- The Company may not repurchase, exchange or redeem any common stock until all accrued preferred stock dividends have been paid in full.
- Liquidation preference of the original issue price of each share plus any accrued but unpaid dividends on each share.

**Note H--Stock Options**

The Company has adopted the Summit Biosciences Inc. 2009 Stock Plan (the "Plan") under which 1,690,000 shares have been reserved for the granting of options to the employees of the Company. The employees become vested in their option rights at a rate of 25% on the first anniversary date of the vesting start date with the remainder vesting in equal monthly installments over the three year period following the first anniversary of the vesting start date. The options are fully vested four years from the vesting start date. Vested options may be exercised at any time before the expiration of ten years from the date of the grant.

The Company accounts for stock awards using the calculated value method. The Company recognizes compensation expense for options granted. Using the Black-Sholes option pricing model, management has determined that the options issued have a calculated value of \$1.00 per share.

During 2012, the Company has recognized compensation expense of \$38,730 in the personnel expense in the accompanying statement of operations related to these stock options. The Company has also recorded an increase in additional paid-in capital for the compensation expense related to these stock options.

Continued

Notes to Financial Statements--Continued

**Summit Biosciences Inc.**  
(A Development Stage Company)

December 31, 2012

**Note H--Stock Options--Continued**

The assumptions used and the weighted average calculated value of options are as follows for the year ended December 31, 2012:

Weighted average calculated value of options granted	\$ 1.000
Expected dividend yield	-
Risk free interest rate	1.80%
Expected volatility	80.00%
Expected term of options in years	10

The following is a summary of the option transactions:

	<u>Shares</u>	<u>Weighted Average Exercise Price Per Share</u>
Outstanding at December 31, 2011	660,828	
Granted - options	465,655	\$ 1.0000
Expired/forfeited	(77,134)	1.0000
Exercised		
<b>Balance at December 31, 2012</b>	<u><u>1,049,349</u></u>	<b>\$ 0.7443</b>

**Note I--Income Taxes**

The Company has generated net operating loss carryforwards totaling approximately \$4,105,000, which will expire through 2030.

A valuation allowance is provided when it is more likely than not that some portion of the deferred tax assets will not be realized. During the year ended December 31, 2012 and based on management's estimates of future taxable income, a valuation allowance was provided to reduce the deferred tax asset, based on the expected level of future taxable income. The Company determined that a valuation allowance of \$1,216,000 was needed as of December 31, 2012.

Continued

Notes to Financial Statements--Continued

**Summit Biosciences Inc.**  
(A Development Stage Company)

December 31, 2012

**Note I--Income Taxes--Continued**

The tax effect of each temporary difference that results in significant deferred tax assets (liabilities) is as follows as of December 31, 2012:

Accelerated methods of depreciation	\$ (29,000)
Various accruals and reserves	(77,000)
Net operating loss carryforwards	1,322,000
Valuation allowance	<u>(1,216,000)</u>
	<u>\$ -</u>

The Company is currently disputing disallowed costs related to an audit by the Internal Revenue Service ("IRS") during 2011. The Company received a Qualifying Therapeutic Discovery Project ("QTDP") Program grant during 2010, and the IRS auditor has raised informal questions regarding the allowability of approximately \$73,000 of expenditures made with grant funds. If the IRS were to ultimately determine that such expenditures were unallowable under QTDP Program guidelines, that amount might have to be repaid. Management currently believes they will prevail on this issue, however, there is an accrual in the full amount included in accrued expenses on the accompanying balance sheet as of December 31, 2012.

**Note J--Leases**

The Company leases its operating facility under an operating lease that expires in May 2015 with five options to renew for a period of one year each. Total lease expense was \$187,917 for 2012.

Minimum future rental payments under noncancellable operating leases are as follows:

Year Ending December 31

2013	\$ 195,833
2014	200,000
2015	<u>83,333</u>
<b>Total Minimum Future Rental Payments</b>	<b><u>\$ 479,166</u></b>

**Note K--Retirement Plan**

The Company has a defined contribution retirement plan (under Section 401(k) of the Internal Revenue Code) that covers all employees 21 years of age and have completed one hour of service. At its discretion, the Company may match employee contributions and may contribute an additional profit sharing piece at the end of the year. For the year ended December 31, 2012, no such contributions were made.

Notes to Financial Statements--Continued

**Summit Biosciences Inc.**  
(A Development Stage Company)

December 31, 2012

**Note L--Research and Development Contracts**

The Company entered into a master supply agreement ("MSA") with a mid-sized generic pharmaceutical manufacturing company ("Customer"), on June 9, 2009. The terms of the agreement include the development, manufacturing and supply of pharmaceutical products for the Customer's use, distribution and sale. The term of the agreement is three years from the date on which the Customer receives Food and Drug Administration ("FDA") approval to use, distribute and sell the product and may be extended, for additional terms of one year. The Company is recognizing revenue from all products as part of this MSA using the milestone method as milestones are being met. Under the MSA, the Company receives \$350,000 per product in milestone payments during product development and recognizes the associated revenues starting with the signing of the MSA and other substantive milestones through the approval of the Abbreviated New Drug Application ("ANDA"). There are five products covered by the MSA agreement.

During commercial manufacturing, the Company will be reimbursed for the fully burdened cost per unit. The Company will also be paid a royalty of 50% on net sales dollars for each product. During 2012, there was no revenue related to this agreement recognized. The costs associated with this agreement for the year ended December 31, 2012 and for the period from inception (October 22, 2009) through December 31, 2012 were approximately \$839,000 and \$2,536,000, respectively.

If the Customer chooses to not extend the term of the MSA for any developed products, the Company has the option to purchase all rights to manufacture the product, including access to the Customer's ANDA, regulatory filings and all related documentation for a sum equal to the technology transfer fee of \$350,000 per product. Following full payment to the Customer, all rights shall transfer to and become property of the Company.

Summit Biosciences Inc.  
Statements of Operations - Unaudited

Period:	Three Months Ended December 31, 2014 <u>Unaudited</u>	Year Ended December 31, 2014 <u>Unaudited</u>
Total Revenue	1,162,128	5,578,351
Cost of Revenue	156,656	1,536,759
Gross Profit	1,005,471	4,041,592
Operating Expenses:		
Research and Development	15,909	277,404
General & Administrative	835,449	2,722,096
Total Operating Expenses	851,358	2,999,500
Operating Income (Loss)	154,113	1,042,092
Other Income (Expense)	2,092	66,306
Net Income (Loss)	156,205	1,108,398

Summit Biosciences Inc.  
Balance Sheet - Unaudited

	December 31, 2014 <u>Unaudited</u>
<b>Assets</b>	
Cash	1,444,939
Accounts Receivable	1,781,376
Prepaid Expenses and Other Current Assets	43,593
Total Current Assets	3,269,908
Property and Equipment, net	349,192
Total Assets	3,619,100
<b>Liabilities &amp; Stockholder's Deficit</b>	
Accounts Payable	107,729
Accrued Expenses	139,159
Unearned Revenue	1,142,734
Other Current Liabilities	22,607
Total Current Liabilities	1,412,228
Long Term Debt	
Dividend Accrual	874,856
Due Founder	33,521
Deferred Salaries	326,296
DCI Loan	62,500
Other L-term Debt	62,011
Total Long Term Debt	1,359,184
Stockholder's Equity	847,687
Total Liabilities and Stockholder's Deficit	3,619,100

Summit Biosciences Inc.  
Statements of Cash Flows - Unaudited

Total Liabilities and Stockholder's Deficit	3,619,100
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Summit Biosciences Inc.  
Statements of Cash Flows - Unaudited

Period:	Three Months Ended December 31, 2014 <u>Unaudited</u>	Year Ended December 31, 2014 <u>Unaudited</u>
<b>Operating Activities</b>		
Net Income	156,205	1,108,398
Adjustments to reconcile net income (loss) to net cash used in operating activities		
Depreciation	57,922	156,967
Noncash compensation for stock options	10,467	41,869
Forgiveness of Debt Income	0	(62,500)
Deferred Salaries	(7,663)	(2,439)
Changes in Operating Assets & Liab.	(18,570)	126,934
<b>Net Cash Used in Operating Activities</b>	<b>198,361</b>	<b>1,369,229</b>
<b>Investing Activities</b>		
Purchases of Property and Equipment	(26,838)	(325,873)
<b>Net Cash (Used in) Provided by Investing Activities</b>	<b>(26,838)</b>	<b>(325,873)</b>
<b>Financing Activities</b>		
Proceeds from Capital Lease Obligations	0	63,781
Payments on Notes Payable	0	0
Payments on Capital Lease Obligations	0	0
Proceeds from issuance of Preferred Stock	0	0
<b>Net Cash Provided by Financing Activities</b>	<b>0</b>	<b>63,781</b>
<b>Increase (Decrease) in Cash</b>	<b>171,524</b>	<b>1,107,137</b>
Cash at Beginning of Period	1,273,416	337,802
<b>Ending Cash</b>	<b>1,444,939</b>	<b>1,444,939</b>