

KNOPP BIOSCIENCES LLC AND SUBSIDIARY
COMBINED FINANCIAL STATEMENTS
TAX BASIS
Year Ended December 31, 2023

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Managers
Knopp Biosciences LLC and Subsidiary
Pittsburgh, Pennsylvania

We have reviewed the accompanying combined financial statements of Knopp Biosciences LLC and Subsidiary, which comprise the combined statement of assets, liabilities, and members' equity - tax basis as of December 31, 2023, and the related combined statements of revenue and expenses - tax basis, changes in members' equity - tax basis and cash flows - tax basis for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting the company uses for income tax purposes; this includes determining that the basis of accounting the company uses for income tax purposes is an acceptable basis for the preparation of financial statements in the circumstances. Management is also responsible for 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.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with the basis of accounting the company uses for income tax purposes. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of Knopp Biosciences LLC and Subsidiary and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with the basis of accounting the company uses for income tax purposes.

Basis of Accounting

We draw attention to Note A.2 of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the basis of accounting the company uses for income tax purposes, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our conclusion is not modified with respect to this matter.

EG Conley, P.C.

Pittsburgh, Pennsylvania

January 22, 2024

Knopp Biosciences LLC

Combined Statement of Assets, Liabilities, and Members' Equity - Tax Basis

	December 31 2023
Assets	
Current assets:	
Cash and cash equivalents	\$ 1,047,251
Investments - certificate of deposit	200,000
Investments - U.S. government securities	2,884,899
Prepaid expenses and other assets	789,202
Total current assets	<u>4,921,352</u>
 Total assets	 <u><u>\$ 4,921,352</u></u>
 Liabilities and members' equity	
Current liabilities:	
Accounts payable	\$ 50,130
Total current liabilities	<u>50,130</u>
 Members' equity:	
Contributed capital	78,510,865
Accumulated deficit	<u>(73,639,643)</u>
Total members' equity	<u>4,871,222</u>
Total liabilities and members' equity	<u><u>\$ 4,921,352</u></u>

See accompanying notes and independent accountants' review report.

Knopp Biosciences LLC

Combined Statement of Revenue and Expenses - Tax Basis

	Year Ended December 31
	2023
Revenue	\$ —
BUSINESS DEVELOPMENT AND COMMERCIAL EXPENSES	
Business consultants and personnel	7,500
	<u>7,500</u>
CORPORATE EXPENSES	
Professional fees	637,121
Personnel	86,932
Other insurance	43,009
IT support, hardware and communications	20,506
Rent expense	19,136
Web development	18,675
Other administration expenses	8,673
Office supplies and postage	3,846
Other taxes	357
	<u>838,255</u>
TOTAL OPERATING EXPENSES	<u>845,755</u>
LOSS FROM OPERATIONS BEFORE	
OTHER INCOME	(845,755)
OTHER INCOME	
Investment and other income	191,871
	<u>191,871</u>
NET LOSS	<u><u>\$ (653,884)</u></u>

See accompanying notes and independent accountants' review report.

Knopp Biosciences LLC

Combined Statement of Changes in Members' Equity - Tax Basis

	Contributed Capital	Accumulated Deficit	Members' Equity
Balance at December 31, 2022	\$ 78,510,865	\$ (72,985,759)	\$ 5,525,106
Net loss	—	(653,884)	(653,884)
Balance at December 31, 2023	\$ 78,510,865	\$ (73,639,643)	\$ 4,871,222

See accompanying notes and independent accountants' review report.

Knopp Biosciences LLC

Combined Statement of Cash Flows - Tax Basis

	Year Ended December 31
	2023
Operating activities	
Net loss	\$ (653,884)
Adjustments to reconcile net loss to net cash used by operating activities:	
Changes in operating assets and liabilities:	
Prepaid expenses and other assets	(722,383)
Accounts payable	14,652
Net cash used by operating activities	(1,361,615)
Investing activities	
Proceeds from maturity of U.S. government securities	984,415
Purchase of certificate of deposit	(200,000)
Net cash provided by investing activities	784,415
Financing activities	—
Net change in cash and cash equivalents	(577,200)
Cash and cash equivalents at beginning of period	1,624,451
Cash and cash equivalents at end of period	<u>\$ 1,047,251</u>

See accompanying notes and independent accountants' review report.

(First page of notes)

KNOPP BIOSCIENCES LLC AND SUBSIDIARY NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Knopp Biosciences LLC and Subsidiary (the Company) is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management, which is responsible for their integrity and objectivity. The accounting policies conform to the basis of accounting the company uses for income tax purposes and have been consistently applied in the preparation of the financial statements.

1. Nature of Operations

The Company, a Delaware limited liability company based in Pittsburgh, Pennsylvania, is a privately held company managing a portfolio of equity securities and future product royalties. Founded in 2004, the Company had an eighteen year record of drug discovery in challenging immunological and neurological diseases.

2. Basis of Accounting

The financial statements of the Company have been prepared on the accrual basis of accounting that the Company uses for filing its federal income tax return, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP).

3. Principles of Combination

The combined financial statements include the accounts of Knopp Biosciences LLC and its wholly owned subsidiary, Knopp Biosciences Services Inc. The financial statement activity from the affiliate has been combined within the individual line-item presentation of the combined financial statements. All material intercompany profits and transactions have been eliminated upon combination.

4. Revenue Recognition

The Company's primary source of income stems from the management of its portfolio of investments, product royalties, and milestone payments (NOTE B).

5. Cash and Cash Equivalents

The Company considers all highly liquid debt instruments with a maturity of three months or less to be cash equivalents. In addition to the Company's operating accounts, cash equivalents include an investment in a money market fund that principally holds U.S. treasury securities.

(Continuation of the notes on the next page.)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

6. Investments - U.S. Government Securities

The Company invests in United States Treasury Bills and Notes. The securities mature in November 2024. The investments are presented at the original cost on the balance sheet and are presented as current assets.

7. Income Taxes

The Company is a limited liability company treated as a partnership for income tax purposes, and as such, is not subject to income taxes. All items of taxable income, deductions, and tax credits are passed through to and are reported by its members on their respective income tax returns. Similar provisions apply for state income tax purposes. Therefore, no provision or liability for Federal or State income taxes has been included in the financial statements. Also, under those provisions, the Company is not allowed a net operating loss carryover or carryback as a deduction. Instead, the members include their respective share of the Company's net income or operating loss in their individual income tax returns.

Management has analyzed the tax positions taken by the Company, and has concluded as of December 31, 2023, there are not any uncertain positions taken or expected to be taken requiring recognition of a liability (or asset) or disclosure in the combined financial statements.

NOTE B - AFFILIATED ENTITIES

In April 2022, the Company sold its Kv7 channel platform to Biohaven Therapeutics Ltd. (Biohaven) and substantially all of its assets in exchange for \$35,000,000 in cash and 493,254 common stock shares of Biohaven Pharmaceutical Holding Company Ltd. As part of the sale, the Company is entitled to receive additional milestone payments, plus royalties on product sales. How much the Company actually receives is dependent on the commercial success and regulatory progress of the Kv7 program.

In July 2022, the Company contributed their Dexpramipexole program (Dex) to Areteia Therapeutics, Inc. (Areteia). Areteia is a newly formed entity co-founded by Population Health Partners, L.P. and Knopp Biosciences LLC. The deal includes financial commitments up to \$350,000,000 in capital commitments from a syndicate of leading life sciences and strategic investors to fund clinical studies and to substantially enhance the Dex program. The Company owns approximately half of the outstanding equity of Areteia. It is expected that after the \$350,000,000 of the syndicate investment, the Company will become a minority owner, though likely remaining the largest single owner. Areteia is not combined within the individual line-item presentation of the combined financial statements for 2023. The Company received \$53,898 from Areteia as an expense reimbursement in 2023. The amount is included with Other Income in the Combined Statement of Revenue and Expenses – Tax Basis.

In January 2023, Knopp Sub Investments LLC was formed for the purpose of attracting investors to invest in Areteia. Knopp Biosciences LLC was the Managing Member of the entity. Knopp Sub Investments LLC was closed as of December 31, 2023. Knopp Biosciences LLC expensed \$8,673 in administration fees as part of the shutdown.

(Continuation of the notes on the next page.)

NOTE C - MEMBERS' EQUITY

As of December 31, 2023, the Company had the following no par units issued and outstanding:

Class A Preferred	10,096,996
Class B Preferred	15,289,915
Class C Preferred	66,859,602
Class 1 Senior	2,388,536
Common	19,235,021
Saturn Class P	<u>5,397,677</u>
	<u>119,267,747</u>

The Board of Managers has sole discretion regarding the amount and timing of distributions to the members. Distributions, including distributions upon liquidation, are made in order of priority in accordance with the Third Amended and Restated Operating Agreement of the Company. The Company did not have any distributions to members in 2023.

Allocation of profits and losses to the members are made in accordance with the Third Amended and Restated Operating Agreement.

NOTE D - PROFIT INTERESTS INCENTIVE PLAN

On September 6, 2011, the Company adopted the Knopp Biosciences LLC Profits Interests Incentive Plan (the Plan), whereby the Board of Managers may grant Class P units to employees, officers, and directors of, and consultants and advisors to the Company. The Board of Managers determines the terms upon which the Class P units vest, as well as determines whether units of grant are subject to restrictions and the terms by which such restrictions lapse. The Class P units awarded have generally had a four-year vesting period based upon provided service and no performance or market conditions. Unvested Class P units were subject to forfeiture upon termination of employment or occurrence of other events. As of December 31, 2023, there were 16,913,875 outstanding Class P units.

NOTE E - COMMITMENTS

The Company has entered into an operating lease agreement for office space. Rent expense under the operating lease was \$19,136 for 2023.

The future minimum rentals to be paid subsequent to December 31, 2023 are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2024	\$ 19,136
2025	<u>15,947</u>
	<u>\$ 35,083</u>

(Continuation of the notes on the next page.)

NOTE F - RISKS AND UNCERTAINTIES

Cash

Financial instruments that potentially subject the Company to a concentration of credit risk consist principally of cash and cash equivalents. The Company maintains its cash and cash equivalents balances in the form of deposits with financial institutions. The Company maintains cash deposits with banks that, at times, exceed applicable insurance limits. The Company reduces its exposure to credit risk by maintaining such deposits with high-quality financial institutions that management believes are creditworthy.

Contingencies

The Company does not believe there is any litigation pending or threatened against it, which individually or in the aggregate may be expected to have a material adverse effect on the operations and financial statements of the Company.

NOTE G - SUBSEQUENT EVENTS

Management has reviewed the financial statements as of January 22, 2024, which is the date the financial statements were available to be issued, and did not identify any events requiring disclosure in the 2023 financial statements.