SECOND SUPPLEMENT TO CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM

Northern Lights Royalties III LP
OFFERING OF LIMITED PARTNERSHIP INTERESTS
FOR UP TO $8,850,000

THE PARTNERSHIP INTENDS TO PURCHASE UP TO 0.75% OF OVERRIDING ROYALTY INTERESTS IN THE KITCHEN LIGHTS LEASE AREA KITCHEN LIGHTS UNIT COOK INLET, ALASKA

This Second Supplement dated June 29, 2018 (the Second Supplement) supplements certain information contained in the Confidential Private Placement Memorandum of Northern Lights Royalties III LP (referred to as the Partnership or we) dated September 25, 2017, including all appendices, exhibits, amendments and prior supplements thereto (the Memorandum). We have elected to extend the offeirng to September 30, 2018 and to increase the offering to up to $8,850,000 to purchase up to .75% of the Northern Lights ORRI from our affiliate, ProAK LLC. Capitalized terms not defined in this Second Supplement shall have the meanings defined in the Memorandum.

AS EXPLAINED IN THIS SUPPLEMENT, THE ALASKA DEPARTMENT OF NATURAL RESOURCES, DIVISION OF OIL AND GAS (THE ALASKA DOG) HAS ISSUED A NOTICE OF DEFAULT TO FURIE OPERATING ALASKA LLC, THE OPERATOR OF THE LEASES UNDERLYING THE NORTHERN LIGHTS ORRI. THE ALASKA DOG REQUIRED THAT FURIE CURE THE ALLEGED DEFAULTS BY DECEMBER 31, 2018 AS FOLLOWS:

- **COMPLETE THE KLU #A-1 WELL; AND**

- **EITHER (A) DRILL, EVALUATE, AND TEST A NEW DEVELOPMENT WELL TO THE STERLING FORMATION; (B) DRILL, EVALUATE, AND TEST KLU #4; OR (C) DRILL, EVALUATE, AND TEST OR KLU #6-DEEP JURASSIC.**

WE ARE NOT ABLE TO OBTAIN CURRENT INFORMATION ABOUT THE STATUS OF FURIE'S COMPLIANCE WITH THESE REQUIREMENTS BY THE ALASKA DOG. WE BELIEVE, ALTHOUGH WE ARE NOT ABLE TO CONFIRM, THAT FURIE INTENDED TO CONDUCT OPERATIONS ON THE KLU #A-1 WELL IN THE 2018 DRILLING SEASON. WE ALSO BELIEVE, ALTHOUGH WE ARE NOT ABLE TO CONFIRM, THAT FURIE INTENDS TO DRILL A NEW DEVELOPMENT WELL TO THE STERLING FORMATION IN THE 2018 DRILLING SEASON. WE BELIEVE THAT THERE IS A HEIGHTENED RISK THAT THE KITCHEN LIGHTS UNIT WILL BE CONTRACTED, WITH THE RESULT THAT ONE OR MORE UNDRILLED BLOCKS OR LEASES MAY BE CONTRACTED OUT OF THE KITCHEN LIGHTS UNIT. IF A BLOCK OR LEASE IS CONTRACTED OUT OF THE KITCHEN LIGHTS UNIT, AND THE UNDERLYING LEASES ARE PAST THEIR PRIMARY TERMS, THE LEASES WILL BE FORFEITED TO THE STATE OF ALASKA. AS WE STATED IN THE MEMORANDUM, ALL OF THE LEASES UNDERLYING THE NORTHERN LIGHTS ORRI ARE PAST THEIR PRIMARY TERMS. IF THE LEASES UNDERLYING THE NORTHERN LIGHTS ORRI ARE FORFEITED, THE ASSETS HELD BY THE PARTNERSHIP WILL HAVE LITTLE VALUE, AND YOU WILL LIKELY LOSE YOUR ENTIRE INVESTMENT IN THE PARTNERSHIP. YOU SHOULD NOT INVEST IN THE PARTNERSHIP IF YOU CANNOT AFFORD THE LOSS OF YOUR ENTIRE INVESTMENT.

THE VALUE OF THE NORTHERN LIGHTS OVERRIDING ROYALTY INTERESTS IS SPECULATIVE. AN INVESTMENT IN THE NORTHERN LIGHTS ROYALTIES III LIMITED PARTNERSHIP INVOLVES A HIGH DEGREE OF RISK. SEE "RISK FACTORS" IN THE MEMORANDUM AND THIS

SECOND SUPPLEMENT. THE OFFER AND SALE OF THE PARTNERSHIP INTERESTS IS INTENDED TO BE EXEMPT FROM THE SECURITIES REGISTRATION PROVISIONS OF FEDERAL AND STATE SECURITIES LAWS. THE PARTNERSHIP INTERESTS ARE OFFERED ONLY TO ACCREDITED INVESTORS.

All information contained in this Second Supplement to the Memorandum is confidential and the property of Northern Lights Royalties III LP and its affiliates. By accepting delivery, you agree that you will not divulge or distribute any of the contents of this document to anyone other than professionals you retain to evaluate the partnership interests offered, without written permission of our general partner, ProAK, LLC; and further, you agree to inform any professionals you retain of the confidential nature of these documents. You also agree to destroy these materials in the event you elect not to acquire interests. If you do not agree to be bound by these confidentiality agreements, please do not copy or distribute any of these documents and return this Second Supplement, the Memorandum and all attachments immediately.

Northern Lights Royalties III LP
ProAK, LLC, General Partner
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SECOND SUPPLEMENT REGARDING NORTHERN LIGHTS ROYALTIES LP

CURRENT STATUS OF DEVELOPMENT OF THE KITCHEN LIGHTS UNIT

SUMMARY OF THE NORTHERN LIGHTS ORRI;

As explained in the Memorandum, the Northern Lights ORRI is an overriding royalty interest in six State of Alaska competitive oil and gas leases identified as lease numbers 389927, 389928, 389929, 389930, 390374, and 390381, covering lands located in Cook Inlet, Kenai Peninsula Borough and Municipality of Anchorage, Alaska. The six leases are sometimes referred to as the Kitchen Lights Lease Area. All of these leases are located in the North Block of the Kitchen Lights Unit (sometimes referred to as the KLU).

As explained in the Memorandum, the Kitchen Lights Unit, approximately 83 thousand acres in the Cook Inlet, is divided into four exploration blocks: the Corsair, North, Southwest and Central Blocks. The six active leases underlying the Northern Lights ORRI are all located in the North Block. The six leases will continue in effect only if the operator complies with the plan of exploration for the Kitchen Lights Unit or receives approval of an amendment to the plan of exploration. A plan of exploration for a unit sets drilling commitments and other commitments. **If these commitments are not met, the result could be that one or more undrilled blocks would be contracted out of the unit. If a block is contracted out of the Kitchen Lights Unit, and the leases in the block are past their primary terms and not extended, the leases will be forfeited to the State of Alaska. All of the six leases in the Kitchen Lights Lease Area are past their primary terms.** If the leases underlying the Northern Lights ORRI are forfeited, the assets to be acquired by the Partnership will have little value, and you will likely lose your entire investment in the Partnership.

NOTICE OF DEFAULT:

On December 26, 2017, the Alaska Department of Natural Resources, Division of Oil and Gas (the Alaska DOG) issued a Notice of Default to Furie Operating Alaska, LLC (Furie), the operator of the leases in the Kitchen Lights Unit. The Alaska DOG stated in part that it was issuing the Notice of Default to Furie: "for the Kitchen Lights Unit (KLU) under 11 AAC 83.374(a) for failure to meet the drilling commitments initially set forth by Furie in its October 7, 2016 Plan of Development (POD). Furie, however, can fully cure default through completion of the listed work commitments described on page three of this notice of default."

The Notice of Default stated that Furie failed to meet drilling commitments for the KLU: "Operation of the KLU previously and up through the present reflects a history of committing to drilling activities, but then delaying or changing those work commitments. Among other commitments, the 2015 POE required Furie to drill two development wells in the Corsair block by November 30, 2015. Furie did not drill these wells. Instead, it submitted an August 27, 2015 POE amendment proposing removal of these drilling work commitments from its 2015 POE and deferring the drilling until November 30, 2016. The Division deferred Furie's drilling commitments to be addressed in Furie's 2016 Plan of Development (POD)."

The Notice of Default summarizes Furie's alleged non-compliance by stating: "In short, Furie has failed to meet its drilling commitments going back to 2015. It committed to drill two wells by November 30, 2015. Furie did not drill the wells. The Division approved a POE amendment to defer those drilling commitments to November 30, 2016. Furie did not drill the wells. Furie committed to drilling two wells again in 2016. It did not drill those wells, and again seeks to defer its commitment another year. Under Article 20.1 of the Kitchen Unit Agreement, failure to comply with any of the terms of an approved unit agreement, including plans of exploration, development, or operations that are a part of the unit agreement, is a default under the unit agreement: The Commissioner will, in his or her discretion, determine that failure of the Unit Operator or the Working Interest Owners to comply with any of the terms of this Agreement, including any Approved Unit Plan, is a default under this Agreement. The failure to comply because of force majeure is not a default."

***REQUIREMENTS TO CURE*:**

The Alaska DOG required that Furie cure the alleged defaults as follows:

> "DNR provides Furie with the following opportunity to cure under 11 AAC 83.374(b). By December 31, 2018, Furie will:
>
> • Complete the KLU #A-1 well; and
>
> • Either (a) drill, evaluate, and test a new development well to the Sterling Formation; (b) drill, evaluate, and test KLU #4; or (c) drill, evaluate, and test or KLU #6-Deep Jurassic.
>
> To fully cure default, Furie must satisfy the above listed work commitments set forth in this notice of default. To further ensure Furie is complying with its proposed 5th POD work commitments, Furie will submit to the Division quarterly work commitment updates beginning in January 2018, with the first quarterly work commitment update due no later than March 30, 2018."

RESPONSE BY FURIE OPERATING ALASKA LLC:

Counsel for Furie provided a detailed response to the Notice of Default on January 22, 2018. The response pointed out that the Notice of Default contained several factual errors. For example, the response pointed out that the Notice of Default was simply wrong when it alleged that Furie did not drill any wells in 2016. In fact, Furie drilled three wells in 2016, even though the Plan of Development in effect at that time only required that two wells be drilled in 2016.

Furie also noted in its response that a significant reason for its 2017 delay in drilling was the failure of the State of Alaska to purchase tax credit certificates. As Furie explained:

> "Furie has invested hundreds of millions of dollars in exploring and developing the KLU. Currently, Furie has substantial potential revenue in the form of Alaska oil and gas production tax credit certificates in the queue awaiting purchase by the State. The purchase of these certificates is a key component to funding exploration and development activities in the KLU. As described in greater detail below, in 2017, the State repurchased only a small percentage of the tax credits eligible for repurchase-an unanticipated decision over which Furie had no control and which constitutes a force majeure event that kept Furie from executing the drilling program outlined in its approved 4th POD."

Furie explained the consequences to its drilling program of the State of Alaska's failure to purchase tax credit certificates in more detail as follows:

> "In anticipation of State action, Furie ensured the Randolph Yost jack-up drilling rig was fully staffed and ready to commence drilling operations in April 2017. The Legislature, however, did not pass a budget until July 27, 2017. Only then did Furie know that the Legislature did not appropriate sufficient moneys for the tax credit fund that was to be distributed that year, leaving Furie without the capital required to complete its 2017 work plan. The State's untimely actions also made it impossible for Furie to access additional third party funding. Given the uncertainty created by the Governor's and the Legislature's actions, oil and gas investors were unwilling to provide additional capital for use in Alaska. The State's actions were clearly outside of Furie's control, and without access to the funds from the repurchase of tax credit certificates, Furie could not execute the drilling program set forth in its 4th POD. Since 2011, Furie had been investing heavily in exploration and development drilling and seismic in the KLU, and had installed an offshore production platform, 15-mile subsea pipeline, and production facilities and brought the unit into production-the State's failure to make a timely and meaningful appropriation to the tax credit fund in 2017 strangled exploration and development plans for that year.

" Although the State's failure to meaningfully fund the tax credit program was the primary problem, in this same period, another event beyond Furie's control occurred-the anchor handling tug needed by Furie to perform operations for the Randolph Yost rig had to go into dry dock and it left Alaska for Singapore on July 13, 2017 for that purpose. The anchor system used to set the jack-up rig into place for drilling operations at the platform requires a special anchor handling tug. Without the tug, the rig cannot be placed for drilling and no other vessel in Alaska could perform this function. Furie kept the Randolph Yost fully staffed and ready for operations because the tug was expected to return by late September. However, Furie was notified in the middle of September that the tug would not return until mid-November, after the drilling season. Both the State's actions in failing to honor its tax credit repurchase obligations and the unavailability of the anchor handling tug constitute force majeure events under 11 AAC 83.395(3) and the KLU Unit Agreement. The Unit Agreement precludes the declaration of a default when the operator had no control over the event or could not have reasonably foreseen such events. Reconsideration should be granted and the Notice withdrawn because Furie's failure to comply with the 4th POD was caused by unforeseeable events beyond its control."

We have not located any public record of any response by the Alaska DOG, and have not contacted either Furie or its counsel for an explanation of the current status. Counsel for Furie would be precluded from discussing the case, except for matters of public record, without the permission of Furie.

APPROVAL OF 5TH PLAN OF DEVELOPMENT:

On December 28, 2017, the Alaska DOG approved the 5th Plan of Development (the 5th POD) submitted by Furie Operating Alaska, LLC (Furie). The 5th POD was approved for the period from January 5, 2018 through January 4, 2019. In the approval, the Alaska DOG repeated its harsh assessment of Furie's compliance with its work commitments in prior Plans of Development. The Alaska DOG's assessment was not factually accurate, as counsel for Furie pointed out in their response to the Notice of Default described above. The approval required that by December 31, 2018, Furie would:

- Complete the KLU #A-1 well; and

- Either (a) drill, evaluate, and test a new development well to the Sterling Formation;
  (b) drill, evaluate, and test KLU #4; or
  (c) drill, evaluate, and test or KLU #6-Deep Jurassic.

And, to further ensure Furie is complying with its proposed 5th POD work commitments, Furie will submit to the Division bi-annual work commitment updates beginning in January 2018, with the first bi-annual work commitment update due no later than June 29, 2018.

CURRENT STATUS OF OPERATIONS:

Current information about the status of Furie's compliance with its drilling commitments is not readily available. In an article in the annual issue of "The Explorers" published earlier this year, Furie was said to be evaluating the KLU # 6 well for the summer of 2018. A recent search of the Alaska DOG website showed that the KLU #A-1 was still reported as being in "suspended" status. The KLU #4 was also shown as "suspended" status. We have not been able to locate any public record of any work commitment update submitted by Furie to the Alaska DOG.

On May 31, 2018, Furie requested that the Alaska Oil and Gas Conservation Commission approve an exception to the spacing requirement for the KLU #A-4 gas well, as it is proposed to be drilled within 3,000 feet of other gas wells serviced by Furie's platform in the Cook Inlet. This request is set for a hearing on July 12, 2018. If the request is approved and if this well is drilled in 2018, we believe, but cannot guarantee, that this well would satisfy the second component of the Alaska DOG's requirements, that Furie drill, evaluate, and test a new development well to the Sterling Formation in 2018.

POTENTIAL FOR CONTRACTION OF KITCHEN LIGHTS UNIT:

The Memorandum warns in the "Risk Factors" section: ***If commitments to the State of Alaska under the plan of exploration are not met, the North Block of the Kitchen Lights Unit may be contracted out of the Kitchen Lights Unit and leases past their primary terms would be forfeited to Alaska.***

The Alaska Administrative Code gives the Commissioner of the Alaska Department of Natural Resources the authority and discretion to contract a unit area to include only that land covered by an approved unit plan of exploration or development, or the area underlain by one or more oil or gas reservoirs and lands that facilitate production. The Commissioner may contract out a block or a lease or even a partial lease, under the provisions of the Alaska Administrative Code. We understand that the Kitchen Lights Unit is producing gas from two wells located in the Corsair Block of the Kitchen Lights Unit. However, we are not able to determine whether production from the Corsair Block would be sufficient to enable the North Block to meet the regulatory criteria for inclusion in a contracted unit. The North Block is currently covered by an approved plan of development, the revised 5th Plan of Development. However, the 5th Plan of Development extends only through January 4, 2019. We can give no assurance that the Alaska DOG will approve any further plans of development for the Kitchen Lights Unit as a whole.

We can give no assurance that the Commissioner will not contract the Kitchen Lights Unit. We can give no assurance that the Commissioner will not contract out from the Kitchen Lights Unit all or part of the leases underlying the Northern Lights ORRI. We can give no assurance as to the timing of any contraction, if one were to occur. We understand that the Commissioner is required to give the unit operator, the working interest owners, and the royalty owners of the leases or portions of leases being contracted out of a unit reasonable notice and an opportunity to be heard before a unit is contracted. ProAK LLC has not received any such notice and is not party to any current administrative proceedings involving the Northern Lights ORRI.

The current confrontational stance of the Alaska DOG towards Furie, and the lack of objective information about the current status of its compliance with its commitments, presents a heightened risk that the Kitchen Lights Unit will be contracted in 2019, and that one or more undrilled blocks or leases will be forfeited. We continue to believe that all of the leases in the North Block will not be contracted out, but can provide no assurance that the leases underlying the Northern Lights ORRI will not be contracted out if the Commissioner determines that the Kitchen Lights Unit should be contracted. If the leases underlying the Northern Lights ORRI are contracted out of the Kitchen Lights Unit, the leases will be forfeited. We cannot guarantee that the leases underlying the Northern Lights ORRI will not be forfeited. You should not invest in the Partnership unless you are prepared to lose your entire investment.

CURRENT STATUS OF THE OFFERING.

As of the date of this Second Supplement, the Partnership has raised approximately $4.8 million from 79 investors. We have previously increased the amount to be raised in the offering from $5,900,000 to $8,850,000, and increased the percentage of Northern Lights ORRI to be purchased from 0.50% to 0.75%, as permitted under the Memorandum. We have also extended the offering from the original termination date of March 31, 2018 to September 30, 2018, as permitted under the Memorandum. If the entire amount of $8,850,000 is raised and the entire 0.75% Northern Lights ORRI is purchased from ProAK LLC, it will reduce the Northern Lights ORRI held by ProAK LLC to 1.338521%. An assignment to the Partnership will be made at the conclusion of this offering.

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FOR UP TO $5,900,000

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SUPPLEMENT REGARDING CHANGES IN THE TAX LAWS

TAX CUTS AND JOBS ACT

On December 27, 2017, the Tax Cuts and Jobs Act (the "Act") was enacted into law for taxable years beginning after December 31, 2017. As of the date of this Supplement the Internal Revenue Service has not published guidance in interpreting the Act. The Act provides for the elimination of certain deductions that may impact an investment in oil and gas. The following subsections are added to the Section of the Memorandum titled "United States Federal Income Tax Considerations". A complete discussion of the changes made by the Act, and their impact on investors, is beyond the scope of this Supplement and the Memorandum. Prospective Investor Partners are urged to consult their own attorneys and tax advisors with respect to their specific individual legal and/or tax situation and the effect of an investment in the Partnership thereon.

Deduction for Qualified Domestic Production Activities Has Been Eliminated for Taxable Years Beginning after December 31, 2017 and Replaced by Qualified Business Income 20% Deduction.

The Act adds a new deduction for non-corporate taxpayers for qualified business income. The deduction is also referred to as the "pass-through deduction." The deduction reduces taxable income, rather than adjusted gross income, but is available to taxpayers who take the standard deduction. In general, the deduction cannot exceed 20% of the excess of the taxpayer's taxable income over net capital gain.

The deduction is generally 20% of a taxpayer's qualified business income (QBI) from a partnership, limited liability company, S corporation, or sole proprietorship, defined as the net amount of items of income, gain, deduction, and loss with respect to the trade or business. Certain types of investment-related items are excluded from QBI, e.g., capital gains or losses, dividends, and interest income (unless the interest is properly allocable to the business). Employee compensation and guaranteed payments to a partner are also excluded. QBI includes only income effectively connected with a U.S. trade or business.

Taxpayers in service related businesses, such as healthcare professionals, law, accounting, actuarial science, performing artists, consulting, athletics, financial services, brokerage services, including investing and investment management, trading, or dealing in securities, partnership interests, or commodities, and any trade or business where the principal asset of such trade or business is the reputation or skill of one or more of its employees are eligible. However, the deduction for taxpayers in service businesses is phased out if the taxpayer's taxable income exceeds the threshold amount of $157,500 ($315,000 in the case of a joint return).

Taxpayers whose taxable income exceeds the threshold amount of $157,500 ($315,000 in the case of a joint return) are also subject to limitations based on the W-2 wages and the adjusted basis in acquired qualified property.

The deduction is taken for partnerships, limited liability companies and S corporations at the partner, member or shareholder level. Trusts and estates are eligible for the deduction. W-2 wages and the adjusted basis in acquired qualified property are apportioned between the trust or estate and the beneficiaries. Specified agricultural or horticultural cooperatives are also eligible for the deduction under special rules. You are urged to consult with your tax advisors as to the impact of the QBI deduction on an investment in the Partnership.

New limitations on Excess Business Loss.

For tax years beginning after December 31, 2017 and before January 1, 2026, the Act provides that a non-corporate taxpayer's "excess business loss" is disallowed. An excess business loss for the tax year is the excess of aggregate deductions of the taxpayer attributable to the taxpayer's trades and businesses, over the sum of aggregate gross income or gain of the taxpayer plus a threshold amount. The threshold amount for a tax year is $500,000 for married individuals filing jointly, and $250,000 for other individuals, with both amounts indexed for inflation.

Under the new law, excess business losses are not allowed for the tax year but are instead carried forward and treated as part of the taxpayer's net operating loss carryforward in subsequent tax years, although such carryforwards are now limited to 80% of taxable income. This limitation applies after the application of the passive loss rules described in the Memorandum. As explained in the Memorandum, we anticipate that the Partnership will generate portfolio income. Portfolio income earned by a taxpayer is treated as non-passive income of the taxpayer and cannot be offset by such taxpayer's passive losses, if any. Because we anticipate that the Partnership will generate portfolio income, we anticipate that the amount of such income (assuming it is generated) will be included in aggregate gross income or gain of the partner for purposes of determining whether the partner has income in excess of their threshold amount over which excess business loss will be disallowed. As mentioned above, the IRS has not published guidance on the application of the excess business loss disallowance, and any such guidance may change this discussion of the impact of the Act.

In the case of a partnership, limited liability company or S corporation, the excess business loss limitation applies at the partner, member or shareholder level. Each equity owner's share of items of income, gain, deduction, or loss of the partnership, limited liability company or S corporation is taken into account in applying the above limitation for the tax year of the partner, company member or S corporation shareholder. Regulatory authority is provided to apply the new provision to any other pass-through entity to the extent necessary, as well as to require any additional reporting as the IRS determines is appropriate to carry out the purposes of the provision.

Additional limitation on losses and deductions.

The Act eliminates miscellaneous itemized deductions (including investment expenses) of non-corporate taxpayers. Under prior law miscellaneous deductions were allowable only to the extent that they exceeded 2% of the taxpayer's adjusted gross income. In general, neither the Partnership nor any Partner may deduct organization or syndication expenses. An election may be made by a partnership to amortize organizational expenses over a 180-month period. Syndication fees (which would include any sales or placement fees or commissions) must be capitalized and cannot be amortized or otherwise deducted.

Changes in Tax Rates and Brackets and Other Changes.

The Act made changes in individual income tax rates and the amount of income included in the various brackets. Among other changes, the top marginal individual income tax rate was reduced from 39.6% to 37%. The top marginal income tax rate for corporations has been reduced to 21%. This, combined with the retained lower tax rate for qualified dividends, potentially might make investments in corporations more attractive compared to investments in pass-through entities such as the Partnership. The standard deduction was changed to $12,000 for single filers and $24,000 for joint filers, but the personal exemption was eliminated. The Act raised the exemption on the alternative minimum tax from $86,200 to $109,400 for married filers, and increased the phaseout threshold to $1 million. The alternative minimum tax was eliminated for corporations. The majority of individual income tax changes are temporary, expiring on December 31, 2025.

CURRENT STATUS OF THE OFFERING.

As of the date of this Supplement, the Partnership has sold 86 units for $2,150,000 from 37 investors.

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Deduction for Qualified Domestic Production Activities Has Been Eliminated for Taxable Years Beginning after December 31, 2017 and Replaced by Qualified Business Income 20% Deduction.

The Act adds a new deduction for non-corporate taxpayers for qualified business income. The deduction is also referred to as the "pass-through deduction." The deduction reduces taxable income, rather than adjusted gross income, but is available to taxpayers who take the standard deduction. In general, the deduction cannot exceed 20% of the excess of the taxpayer's taxable income over net capital gain.

The deduction is generally 20% of a taxpayer's qualified business income (QBI) from a partnership, limited liability company, S corporation, or sole proprietorship, defined as the net amount of items of income, gain, deduction, and loss with respect to the trade or business. Certain types of investment-related items are excluded from QBI, e.g., capital gains or losses, dividends, and interest income (unless the interest is properly allocable to the business). Employee compensation and guaranteed payments to a partner are also excluded. QBI includes only income effectively connected with a U.S. trade or business.

Taxpayers in service related businesses, such as healthcare professionals, law, accounting, actuarial science, performing artists, consulting, athletics, financial services, brokerage services, including investing and investment management, trading, or dealing in securities, partnership interests, or commodities, and any trade or business where the principal asset of such trade or business is the reputation or skill of one or more of its employees are eligible. However, the deduction for taxpayers in service businesses is phased out if the taxpayer's taxable income exceeds the threshold amount of $157,500 ($315,000 in the case of a joint return).

Taxpayers whose taxable income exceeds the threshold amount of $157,500 ($315,000 in the case of a joint return) are also subject to limitations based on the W-2 wages and the adjusted basis in acquired qualified property.

The deduction is taken for partnerships, limited liability companies and S corporations at the partner, member or shareholder level. Trusts and estates are eligible for the deduction. W-2 wages and the adjusted basis in acquired qualified property are apportioned between the trust or estate and the beneficiaries. Specified agricultural or horticultural cooperatives are also eligible for the deduction under special rules. You are urged to consult with your tax advisors as to the impact of the QBI deduction on an investment in the Partnership.

New limitations on Excess Business Loss.

For tax years beginning after December 31, 2017 and before January 1, 2026, the Act provides that a non-corporate taxpayer's "excess business loss" is disallowed. An excess business loss for the tax year is the excess of aggregate deductions of the taxpayer attributable to the taxpayer's trades and businesses, over the sum of aggregate gross income or gain of the taxpayer plus a threshold amount. The threshold amount for a tax year is $500,000 for married individuals filing jointly, and $250,000 for other individuals, with both amounts indexed for inflation.

Under the new law, excess business losses are not allowed for the tax year but are instead carried forward and treated as part of the taxpayer's net operating loss carryforward in subsequent tax years, although such carryforwards are now limited to 80% of taxable income. This limitation applies after the application of the passive loss rules described in the Memorandum. As explained in the Memorandum, we anticipate that the Partnership will generate portfolio income. Portfolio income earned by a taxpayer is treated as non-passive income of the taxpayer and cannot be offset by such taxpayer's passive losses, if any. Because we anticipate that the Partnership will generate portfolio income, we anticipate that the amount of such income (assuming it is generated) will be included in aggregate gross income or gain of the partner for purposes of determining whether the partner has income in excess of their threshold amount over which excess business loss will be disallowed. As mentioned above, the IRS has not published guidance on the application of the excess business loss disallowance, and any such guidance may change this discussion of the impact of the Act.

In the case of a partnership, limited liability company or S corporation, the excess business loss limitation applies at the partner, member or shareholder level. Each equity owner's share of items of income, gain, deduction, or loss of the partnership, limited liability company or S corporation is taken into account in applying the above limitation for the tax year of the partner, company member or S corporation shareholder. Regulatory authority is provided to apply the new provision to any other pass-through entity to the extent necessary, as well as to require any additional reporting as the IRS determines is appropriate to carry out the purposes of the provision.

Additional limitation on losses and deductions.

The Act eliminates miscellaneous itemized deductions (including investment expenses) of non-corporate taxpayers. Under prior law miscellaneous deductions were allowable only to the extent that they exceeded 2% of the taxpayer's adjusted gross income. In general, neither the Partnership nor any Partner may deduct organization or syndication expenses. An election may be made by a partnership to amortize organizational expenses over a 180-month period. Syndication fees (which would include any sales or placement fees or commissions) must be capitalized and cannot be amortized or otherwise deducted.

Changes in Tax Rates and Brackets and Other Changes.

The Act made changes in individual income tax rates and the amount of income included in the various brackets. Among other changes, the top marginal individual income tax rate was reduced from 39.6% to 37%. The top marginal income tax rate for corporations has been reduced to 21%. This, combined with the retained lower tax rate for qualified dividends, potentially might make investments in corporations more attractive compared to investments in pass-through entities such as the Partnership. The standard deduction was changed to $12,000 for single filers and $24,000 for joint filers, but the personal exemption was eliminated. The Act raised the exemption on the alternative minimum tax from $86,200 to $109,400 for married filers, and increased the phaseout threshold to $1 million. The alternative minimum tax was eliminated for corporations. The majority of individual income tax changes are temporary, expiring on December 31, 2025.

CURRENT STATUS OF THE OFFERING.

As of the date of this Supplement, the Partnership has sold 86 units for $2,150,000 from 37 investors.

This Supplement dated February 26, 2018 supplements the Memorandum dated September 25, 2017, and should be read in conjunction with the Memorandum.

Northern Lights Royalties III LP
ProAK, LLC, General Partner
660 W. Southlake Blvd., Suite 200
Southlake, Texas 76092
Telephone: (972) 506-0909

CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM

Memorandum No._____ **Submitted to_____**

Northern Lights Royalties III LP

OFFERING OF LIMITED PARTNERSHIP INTERESTS FOR $5,900,000

THE PARTNERSHIP INTENDS TO PURCHASE UP TO 0.50% OF OVERRIDING ROYALTY INTERESTS IN THE KITCHEN LIGHTS LEASE AREA KITCHEN LIGHTS UNIT COOK INLET, ALASKA

All information contained in this Private Placement Memorandum is confidential and the property of Northern Lights Royalties III LP and its affiliates. By accepting delivery, you agree that you will not divulge or distribute any of the contents of this document to anyone other than professionals you retain to evaluate the royalty interests offered, without written permission of our general partner ProAK, LLC; and further, you agree to inform any professionals you retain of the confidential nature of these documents. You also agree to destroy these materials in the event you elect not to acquire interests. If you do not agree to be bound by these confidentiality agreements, please do not copy or distribute any of these documents and return this Private Placement Memorandum and all attachments immediately.

THE VALUE OF THE NORTHERN LIGHTS OVERRIDING ROYALTY INTERESTS IS HIGHLY SPECULATIVE. AN INVESTMENT IN THE NORTHERN LIGHTS ROYALTIES III PARTNERSHIP INVOLVES A HIGH DEGREE OF RISK. YOU SHOULD NOT INVEST IF YOU CANNOT AFFORD THE LOSS OF YOUR ENTIRE INVESTMENT. SEE "RISK FACTORS." THE OFFER AND SALE OF THE PARTNERSHIP INTERESTS IS INTENDED TO BE EXEMPT FROM THE SECURITIES REGISTRATION PROVISIONS OF FEDERAL AND STATE SECURITIES LAWS. THE PARTNERSHIP INTERESTS ARE OFFERED ONLY TO ACCREDITED INVESTORS.

Northern Lights Royalties III LP
ProAK, LLC, General Partner
660 W. Southlake Blvd., Suite 200
Southlake, Texas 76092
Telephone: (972) 506-0909

The date of this Memorandum is September 25, 2017

CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM

NORTHERN LIGHTS ROYALTIES III LP
OFFERING UP TO $5,900,000 OF PARTNERSHIP INTERESTS
MINIMUM CAPITAL CONTRIBUTION $25,000

We are offering limited partnership interests (Partnership Interests) in Northern Lights Royalties III LP, a Texas limited partnership (the Partnership). In this Memorandum, the Partnership is also referred to as "we" or "our" or similar pronouns. The managing general partner of the Partnership is ProAK, LLC, a Texas limited liability company (the Managing Partner).

We intend to purchase up to 0.50% of an overriding royalty interest (the Northern Lights ORRI) in six State of Alaska competitive oil and gas leases covering lands located in the Cook Inlet, Alaska. Such leases are sometimes referred to as the Kitchen Lights Lease Area. All six of these leases are located in the Kitchen Lights Unit. Drilling in the Kitchen Lights Unit has commenced, and further development is planned. The Northern Lights ORRI is currently owned by ProAK, LLC, our Managing Partner. The transfer of the Northern Lights ORRI will be subject to approval by the State of Alaska. The Partnership must submit an Application for Assignment of Interest in Oil and Gas Leases to the Alaska Department of Natural Resources, Division of Oil and Gas for approval of the commissioner. We anticipate that the transfer will be approved.

You must be an accredited investor to subscribe. The minimum Capital Contribution is $25,000, which minimum may be waived in our discretion. We reserve the right to increase the offering to $8,850,000 and to purchase an additional 0.25% of Northern Lights ORRI from ProAk, LLC. The offering may be terminated at any time in our discretion and will terminate upon the earlier of the sale of all offered Partnership Interests or March 31, 2018, which termination date can be extended in our discretion for up to two consecutive three month periods without notice to the partners.

AN INVESTMENT IN THE PARTNERSHIP INTERESTS INVOLVES A HIGH DEGREE OF RISK. YOU SHOULD CONSIDER INVESTING IN THE PARTNERSHIP INTERESTS ONLY IF YOU HAVE THE FINANCIAL ABILITY AND WILLINGNESS TO ACCEPT SUCH RISK.

THE OFFER AND SALE OF THESE SECURITIES IS INTENDED TO BE EXEMPT FROM THE SECURITIES REGISTRATION PROVISIONS OF UNITED STATES FEDERAL AND STATE SECURITIES LAWS UNDER RULE 506(c) OF REGULATION D. THIS OFFER IS MADE ONLY TO ACCREDITED INVESTORS. POTENTIAL INVESTORS WILL BE REQUIRED TO VERIFY THAT THEY ARE ACCREDITED INVESTORS BEFORE BEING ALLOWED TO ACQUIRE ANY PARTNERSHIP INTEREST.

Northern Lights Royalties LP
ProAK, LLC, General Partner
660 W. Southlake Blvd., Suite 200
Southlake, Texas 76092
Telephone: (972) 506-0909

The date of this Memorandum is September 25, 2017

THESE SECURITIES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR THE SECURITIES LAWS OF ANY STATES OR OTHER JURISDICTIONS AND ARE BEING OFFERED AND SOLD IN RELIANCE ON EXEMPTIONS FROM THE REGISTRATION REQUIREMENTS OF SAID ACT AND SUCH LAWS. THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFER AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER SAID ACT AND SUCH LAWS PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. THESE SECURITIES ARE ALSO SUBJECT TO RESTRICTIONS ON TRANSFER AND RESALE UNDER THE PARTNERSHIP AGREEMENT. YOU SHOULD BE AWARE THAT YOU MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION OR ANY OTHER REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THIS OFFERING OR THE ACCURACY, ADEQUACY OR TRUTHFULNESS OF THE MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

THIS MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY SECURITIES IN ANY JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION IS NOT AUTHORIZED OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION.

YOU SHOULD NOT REPRODUCE OR DISTRIBUTE THIS MEMORANDUM, OR DISCLOSE ANY OF THE INFORMATION CONTAINED IN THIS MEMORANDUM, TO ANYONE OTHER THAN YOUR ADVISORS WITHOUT THE PRIOR WRITTEN CONSENT OF THE MANAGING PARTNER. YOU SHOULD RETURN THIS MEMORANDUM AND ALL ENCLOSED DOCUMENTS IF YOU DECIDE NOT TO PURCHASE A PARTNERSHIP INTEREST.

THE USE OF FORECASTS OR PROJECTIONS OTHER THAN THOSE PROVIDED IN THIS MEMORANDUM OR PROVIDED BY THE MANAGING PARTNER IS PROHIBITED. ANY ORAL REPRESENTATION OR PREDICTION AS TO THE AMOUNT OR CERTAINTY OF ANY PRESENT OR FUTURE CASH DISTRIBUTION OR TAX CONSEQUENCE WHICH MAY FLOW FROM AN INVESTMENT IN THE PARTNERSHIP IS NOT PERMITTED TO THE EXTENT SUCH ORAL REPRESENTATION DEVIATES FROM THE SPECIFIC WRITTEN DISCLOSURES SET FORTH IN THIS MEMORANDUM OR PROVIDED BY THE MANAGING PARTNER.

ANY INFORMATION WE PREVIOUSLY PROVIDED YOU OR YOUR ADVISORS IS SUPERCEDED BY THIS MEMORANDUM AND THE INFORMATION SET OUT HERE.

IN MAKING AN INVESTMENT DECISION, YOU MUST RELY ON YOUR EXAMINATION OF THE PARTNERSHIP, THE PROPOSED PLAN OF BUSINESS AND THE TERMS OF THE OFFERING TO DETERMINE THE MERITS AND RISKS INVOLVED. YOU MAY DESIRE ADDITIONAL INFORMATION PRIOR TO MAKING YOUR DECISION. ALL DOCUMENTS REFERENCED IN THIS MEMORANDUM BUT NOT ATTACHED AS EXHIBITS WILL BE AVAILABLE FOR YOUR INSPECTION AT OUR PRINCIPAL OFFICE. YOU ARE ENCOURAGED TO MAKE FURTHER INQUIRY IN AN EFFORT TO RESOLVE ANY UNANSWERED QUESTIONS CONCERNING THE OFFERING OR THE PLAN OF BUSINESS. REQUESTS FOR FURTHER INFORMATION SHOULD BE MADE TO THE MANAGING PARTNER, AND SUCH INFORMATION SHOULD ONLY BE RELIED UPON WHEN FURNISHED IN WRITING BY IT. WE HAVE NOT AUTHORIZED ANY OTHER PERSON TO PROVIDE YOU WITH INFORMATION. IF ANYONE PROVIDES YOU WITH INFORMATION THAT IS DIFFERENT FROM OR CONFLICTS WITH THE INFORMATION IN THIS MEMORANDUM, DO NOT RELY ON IT.

AN INVESTMENT IN THE PARTNERSHIP INVOLVES RISKS. THERE IS NO MARKET FOR THE PARTNERSHIP INTERESTS AND ONE IS NOT LIKELY TO DEVELOP. WE DO NOT INTEND TO PROVIDE PUBLICLY AVAILABLE INFORMATION SO AS TO FACILITATE RESALES OF THE PARTNERSHIP INTERESTS UNDER RULE 144, RULE 144A, OR SIMILAR EXEMPTIONS. YOU SHOULD CONSIDER INVESTING IN THE PARTNERSHIP ONLY IF YOU ARE ABLE TO BEAR THE FINANCIAL RISKS REFERRED TO IN THIS MEMORANDUM FOR AN INDEFINITE TIME.

YOU SHOULD NOT CONSTRUE THE CONTENTS OF THE MEMORANDUM OR ANY OTHER INFORMATION FROM US AS LEGAL, BUSINESS OR TAX ADVICE. THE TAX CONSEQUENCES OF THIS INVESTMENT WILL DEPEND IN PART ON YOUR PARTICULAR CIRCUMSTANCES. YOU SHOULD SEEK ADVICE FROM AN INDEPENDENT TAX ADVISOR.

FORWARD LOOKING STATEMENTS

This Memorandum contains forward-looking statements. These statements appear in a number of places in this Memorandum and include statements regarding our intent, belief or current expectations, statements regarding the anticipated location and timing of the operations in the Kitchen Lights Unit, statements regarding the potential oil and gas reserves underlying the Kitchen Lights Unit, statements regarding the anticipated acquisition of the Northern Lights ORRI by the Partnership, statements regarding the oil and gas industry and similar statements. Forward-looking statements are based on expectations or assumptions, which involve risk and uncertainty. You are cautioned not to place undue reliance on forward-looking statements because it is possible that predictions, forecasts, projections and other forms of forward-looking statements will not be achieved. Any forward-looking statements are not guarantees of future performance. Actual results and developments are likely to differ from those described in the forward-looking statements as a result of various factors, many of which are beyond our control. The differences may be material and adverse. We do not undertake any obligation to update or review any forward-looking statement, whether as a result of new information, future events or otherwise.

Certain risks are discussed under the heading "Risk Factors." Our explanation of potential risks is based on our current knowledge and expectations. The risks involved in our business plan could change for a number of reasons, including, but not limited to: decisions by the operator in the Kitchen Lights Unit to delay drilling or to drill in other locations; delays in drilling on the Kitchen Lights Lease Area; delays in constructing production platforms in the Kitchen Lights Unit; weather in the Cook Inlet; general global economic and business conditions; the likelihood and effect of any economic slowdown in the U.S. and/or other areas; operational risks in development and production; delays in or changes to plans for projects; timing of completion of projects or of production; the prices for oil and gas as well as for alternatives; the effects of competition and pricing pressures; industry overcapacity; shifts in market demands; changes in laws and regulations, including potential imposition of restrictions in response to environmental concerns related to the production of oil and gas; and changes in either development technology or alternative energy technology.

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Exhibit A.....Northern Lights Royalties III LP Agreement
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SUMMARY OF THE OFFERING

This section summarizes the offering of limited partnership interests by Northern Lights Royalties III LP. This summary is intended only for quick reference and is not complete. The summary is qualified in its entirety by the more detailed information appearing in this Memorandum, including the exhibits. Capitalized terms not otherwise defined in this Memorandum shall have the meanings set out in the Partnership Agreement attached as Exhibit A.

Investment Objective	We intend to purchase up to 0.50% of an overriding royalty interest (the Northern Lights ORRI) in six State of Alaska competitive oil and gas leases covering lands located in the Kitchen Lights Unit of Cook Inlet, Alaska (these six leases are sometimes referred to as the Kitchen Lights Lease Area). We reserve the right to increase the purchase by an additional .25% Northern Lights ORRI for the same proportionate purchase price per percentage interest. The investment is contemplated to be a long-term investment in an oil and gas field that is in the process of being developed by an unaffiliated third party. The Northern Lights ORRI will be purchased from ProAK, LLC, our Managing Partner, although we reserve to right to purchase the Northern Lights ORRI from other affiliates and third parties.
The Partnership	Northern Lights Royalties III LP, a Texas limited partnership. Our address is 660 W. Southlake Blvd., Suite 200, Southlake, Texas 76092. Our telephone number is 972-506-0909.
The Managing Partner	ProAK, LLC (the Managing Partner or ProAK), a Texas limited liability company, will serve as the Managing Partner. Mr. Shawn Bartholomae is the managing member of ProAK and will manage the day-to-day operations of the Partnership. The Managing Partner has broad authority to manage the Partnership. ProAK is also the managing partner of two other affiliated partnerships, the Northern Lights Royalties LP and Northern Lights II, LP.
The Terms of the Offering	We are offering up to $5,900,000 in Partnership Interests. We may sell less than $5,900,000 in Partnership Interests in this offering. We reserve the right to increase the offering to up to $8,850,000 and to purchase up to an additional 0.25% of Northern Lights ORRI for the same proportionate price per percentage. The minimum Capital Contribution is $25,000, which minimum may be waived by us in our discretion. The offering will terminate upon the earlier of the sale of all offered Partnership Interests or March 31, 2018, which termination date can be extended in our discretion for up to two consecutive three-month periods. The offering may be terminated earlier in our discretion.
Securities Offered	We are offering partnership interests in a Texas limited partnership. If you subscribe in this offering and your subscription is accepted, you will become a limited partner in the Partnership. Limited partners who invest in this offering are sometimes referred to as Investor Partners, to distinguish them from limited partners who may acquire a Partnership Interest assigned from ProAK. The Partnership is a tax flow-through entity, which means that all profits and losses will be allocated to the partners in accordance with the allocation provisions of the Partnership Agreement. The partners will report these items as part of their personal tax returns and pay taxes on their share of profits.

The Use of Proceeds	We intend that approximately 85% of the proceeds received from the sale of the Partnership Interests will be used to purchase the Northern Lights ORRI in six State of Alaska competitive oil and gas leases covering lands located in the Kitchen Lights Unit of Cook Inlet, Alaska, from ProAK, the Managing Partner of the Partnership, although the royalties could also be purchased from affiliates or unaffiliated third parties. Proceeds received from the sale of the Partnership Interests will also be used by the Partnership to pay Organization and Offering Expenses and Administrative Fees to the Managing Partner on a fixed, non-accountable basis as a percent of the proceeds received in this offering. To the extent that such fixed, non-accountable payments exceed actual expenses incurred by the Managing Partner, the excess should be considered compensation to the Managing Partner.
Distributions to the Partners	We will not make distributions until wells have been drilled, completed and placed into production on the six leases contained within the Kitchen Lights Lease Area. This is likely to take some time, potentially a number of years, although the operator has made tentative plans to drill a well in 2018 in the Kitchen Lights Lease Area on our leases. A reserve report commissioned by the Managing Partner in 2015 estimates that production from the Kitchen Lights Lease Area will not occur before 2020 and may occur later. Once we have started receiving payments from production, we intend to make monthly distributions of net cash income derived from the Northern Lights ORRI, after setting aside appropriate reserves for the Partnership expenses, including management fees and other expenses and liabilities of the Partnership. All distributions will be made in accordance with each partner's respective Partnership Interest, including the Net Distribution Interest provisions described below. We reserve the right to make less frequent distributions or to adjust or suspend distributions if we believe it is in the best interest of the Partnership. Distributions to partners will not be made from the proceeds of this offering, nor from proceeds of any debt. There is no assurance that the Partnership will be able to make distributions of cash in any given amount or at any given time.
Compensation to the Managing Partner	The Managing Partner will receive 15% of the gross proceeds of this offering in payment of fees and expenses. To the extent this exceeds actual expenses incurred by the Managing Partner, the excess should be considered compensation to the Managing Partner. The Managing Partner will also be entitled to receive an annual management fee of $60,000, which we anticipate will be billed on an annual basis pro-rata to the Investor Partners. Fees for services provided by third parties will be paid by the Partnership and billed pro-rata to the Investor Partners. As additional compensation for its efforts in organizing the Partnership, and managing the Partnership, ProAK or its assigns will have the right to share in distributions under the Net Distribution Interest provision described below.
Net Distribution Interest	ProAK or its assigns will have the right to receive 15% of each distribution made by the Partnership, whether as a regular distribution, or in redemption or on dissolution of the Partnership.
Capital Calls:	We anticipate that we will call upon the partners to contribute additional capital to the Partnership for payment of the annual management fee and the Third Party Expenses incurred by the Partnership until the Partnership

	begins to receive regular payments from production. If you fail to timely pay a Capital Call, you will be assessed interest at an annual rate of 18% from the date due until paid, and the Partnership shall have the right to offset the entire amount of unpaid Capital Calls and any accrued interest against any distribution otherwise due to you. If you fail to timely pay three or more Capital Calls, whether or not such defaults are as to successive Capital Calls, your Partnership Interest may be forfeited to the Partnership and reallocated among the remaining Investor Partners in proportion to their Partnership Interest, or may be redeemed for the amount of any unpaid Capital Calls, and you will lose your entire interest in the Partnership.
Redemption of Partnership Interests	At any time after the Partnership has received regular monthly payments from production for at least one year, you may request redemption of all or a portion of your Partnership Interest. The redemption price shall be (i) six times the Net Cash Flow of the Partnership for the preceding twelve months, (ii) multiplied by the percentage Partnership Interest redeemed. Redemptions will be made at our discretion. Redemption payments will be subject to the 15% Net Distribution Interest.
Leverage	The Managing Partner is authorized to borrow up to the lesser of 20% of aggregate Capital Contributions or $1,200,000 in aggregate debt outstanding at any one time, and to pledge the assets of the Partnership as collateral, without the consent of the partners. Any borrowing in excess of this limit requires the consent of a Majority-in-Interest.
Suitability Requirements	We are offering Partnership Interests only to persons who are an accredited investor, as defined in Rule 501(a) of Regulation D under the Act. The fact that you are an accredited investor does not by itself mean that an investment in a Partnership Interest is suitable for you. You must be verified as an accredited investor before we will accept a Subscription Agreement from you or any funds from you.
No Transfer of Partnership Interests	There is no market for the Partnership Interests and no public or private market for the Partnership Interests is likely to develop. The Partnership Interests have not been registered under state or federal securities laws. The Partnership Interests may not be sold, assigned, pledged or otherwise transferred except under specified conditions, including the requirement that the Partnership Interests be registered under the Securities Act of 1933, as amended, and all other applicable securities laws or that an opinion of counsel satisfactory to the Partnership be rendered to the effect that such registrations are not required. The Partnership Interests are also subject to certain transfer restrictions under the terms of the Partnership Agreement. Because of the restrictions on transfer, the Partnership Interests may not be readily accepted as collateral for a loan. A partner has a limited right to request redemption of the partner's Partnership Interest. The Partnership Interests are not likely to become eligible for resale under Rule 144 or 144A. Consequently, the Partnership Interests are suitable only for investment by persons with no need for liquidity.

Tax Aspects	**NOTHING IN THIS SUMMARY SHOULD BE CONSTRUED AS TAX OR LEGAL ADVICE. WE STRONGLY RECOMMEND THAT YOU OBTAIN INDIVIDUAL TAX ADVICE, PARTICULARLY SINCE THE INCOME TAX CONSEQUENCES OF AN INVESTMENT IN A PARTNERSHIP INTEREST ARE COMPLEX AND CERTAIN OF THESE CONSEQUENCES COULD VARY SIGNIFICANTLY WITH YOUR PARTICULAR SITUATION.**

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RISK FACTORS

An investment in the Partnership involves risks. You should carefully consider the following information about these risks, together with the other information contained in this Memorandum and the attached exhibits before deciding whether to purchase a Partnership Interest. The tax consequences of an investment in a Partnership Interest are complex and you may incur taxable income without any corresponding distribution from the Partnership. You should consult with your own legal, tax and financial advisors about an investment in the Partnership. If any of the events described below actually occurs, the value of the Partnership Interests could decline, and you could lose all or part of your investment. The risks described below are not the only risks associated with an investment in the Partnership. Additional risks and uncertainties not presently known to us or that we currently believe are not material may also harm our business, financial condition and operating results, and you could lose all or part of your investment.

Risks Related to the Northern Lights ORRI

There is no assurance that a well will be successfully drilled and completed in the Kitchen Lights Lease Area, which is comprised of the six leases underlying the Northern Lights ORRI we are proposing to acquire. The KLU #3 well has begun commercial production of gas. However, this well is in the Corsair Block, not the North Block where the Kitchen Lights Lease Area is located. There is no assurance that the operator Furie Operating Alaska, LLC, the Alaskan subsidiary of German Deutsche Oel and Gas AG, formerly Escopeta Oil Company LLC (Furie or the operator) will drill and complete a well on any one of the six leases in the Kitchen Lights Lease Area, or that any well, if drilled and completed, will produce gas in sufficient quantities to return your investment or a profit on your investment. While the operator has received approval to drill the KLU #9 well in the Kitchen Lights Lease Area, the operator may decide to drill other locations in the Kitchen Lights Unit first, or may cease development of the Kitchen Lights Unit. We will have no control over any such decision. We will not began receiving payments unless and until the operator drills a well in the Kitchen Lights Lease Area and production commences from a formation or horizon included in the Northern Lights ORRI.

There is no assurance that the operator will carry through with its current plan to drill the KLU #9 well in the Kitchen Lights Lease Area. The Alaska Department of Natural Resources previously approved an amended Plan of Operations under which the operator proposed to drill the KLU#9 well in the Kitchen Lights Lease Area during the 2017 drilling season. The operator chose not to do so. However, the operator did submit an amended plan of development in October 2016 in which it indicates that it has tentative plans to drill the KLU#9 well in 2018. However, we can give you no assurances that this drilling activity will occur. It may be many years before the operator drills any development well and commences production, if at all, on any lease in the Kitchen Lights Lease Area underlying the Northern Lights ORRI.

If commitments to the State of Alaska under the plan of exploration are not met, the North Block of the Kitchen Lights Unit may be contracted out of the Kitchen Lights Unit and leases past their primary terms would be forfeited to Alaska. The six leases underlying the Northern Lights ORRI are all located in the North Block of the Kitchen Lights Unit. The six leases will continue in effect only if the operator complies with the plan of exploration for the Kitchen Lights Unit or receives approval of an amendment to the plan of exploration. A plan of exploration for a unit sets drilling commitments and other commitments. If these commitments are not met, the result could be that one or more undrilled blocks would be contracted out of the unit. If a block is contracted out of the Kitchen Lights Unit, and the lease is past its primary term and not extended, the lease will be forfeited to the State of Alaska. All of the leases underlying the Northern Lights ORRI are past their primary terms. If the leases underlying the Northern Lights ORRI are forfeited, the assets held by the partnership will have little value, and you will likely lose your entire investment in the partnership. The Alaska Department of Natural Resources approved an amendment by Furie to the Kitchen Lights Unit Plan of Exploration, under which the operator will drill a well in the North Block in 2018, so it is likely that the North Block will not be contracted out of the Kitchen Lights Unit, but there can be no assurance that the North Block will not be contracted out and the leases underlying the Northern Lights ORRI forfeited.

The Northern Lights ORRI may never generate revenues. The Northern Lights ORRI will generate revenues only if, as, and when oil and gas wells are drilled and completed, production commences and the production is sold on the leases underlying our Northern Lights ORRI. We anticipate that it could take three years or more before the Northern Lights ORRI begins to generate any revenues from the sale of production. There is no assurance that any production will be achieved, or that sufficient production will be obtained to enable you to realize any cash return on your investment in the Partnership. You may lose part of or all of your investment.

We have estimated the value of the Northern Lights ORRI based in part on a reserve report. The reserves described in the report are estimates based on engineering and geological judgment. There are numerous uncertainties involved in the estimation of oil and gas reserves. In addition, unlike most other reserve reports, there are no proved reserves in the Kitchen Lights Lease Area. Therefore, in addition to the normal uncertainties involved in an oil and gas reserve estimate, the reserve estimate in this report is subject to additional contingencies regarding the timing of exploration drilling and development, and the potential for forfeiture of the underlying leases if exploration and development commitments to Alaska are not met. The reserve estimates should not be considered a representation of fair market value or any other commonly recognized measure of investment value.

The fair market value of the Northern Lights ORRI may be significantly less than our estimated value. ProAK has independently placed a value for a portion of its Northern Lights ORRI. This is not a representation of the current fair market value of these royalty interests. Knowledgeable sellers with experience in both oil and gas and in the Cook Inlet have sold or agreed to sell their overriding royalty interests for significantly less [proportionately] than our estimated value. These include previous recent sales to and from Mr. Bartholomae and ProAK.

There is no assurance that a development well will be successfully drilled and completed in the Kitchen Lights Lease Area. The operator proposed to drill the KLU #9 well in the Kitchen Lights Lease Area in 2017 but did not do so. Deadlines under prior plans of exploration in the Kitchen Lights Unit have been missed and extended in the past. Numerous factors could prevent the completion of a well, including weather conditions, environmental issues, more promising opportunities elsewhere, lack of financing and technical problems with a well. We will not began receiving payments unless and until the operator drills a well in the Kitchen Lights Lease Area and production commences from a formation or horizon included in the Northern Lights ORRI.

We will not control exploration or development of the Kitchen Lights Unit. We will not be able to control the exploration or future development of the Kitchen Lights Unit. We will not own the working interest which is entitled to make exploration and development decisions in the Kitchen Lights Unit.

We will have no control over the operator. We will not control the operator nor will we have a vote in whether, when or where the operator drills wells. Revenues from the Northern Lights ORRI will be wholly dependent upon decisions of the operator as to when and where to develop the Kitchen Lights Unit. While the operator is currently drilling in the Kitchen Lights Unit, it is not currently drilling in the Kitchen Lights Lease Area. The operator may decide to drill other locations in the Kitchen Lights Unit first, or may cease development of the Kitchen Lights Unit. The operator will be under no obligation to us to continue drilling or operating wells in the Kitchen Lights Unit.

We will not control the pace of development. We will not control or have much ability to influence the pace of development of the Kitchen Lights Lease Area. The decision on when and how to develop the Kitchen Lights Lease Area, including exploration of horizons deeper or shallower than those included in the Northern Lights ORRI, will be made by the operator and the working interest owners. The operator may delay drilling a well for a number of reasons, including an inability or unwillingness of the working interest owners to pay drilling or completion costs, low prices for oil or gas, the presence of impermeable formations, disappointing results from other wells in the area, and more promising opportunities elsewhere. We will not began receiving payments unless and until the operator drills a well in the Kitchen

Lights Lease Area and production commences from a formation or horizon included in the Northern Lights ORRI.

We will not control the decision as to whether or when to rework a well. The decision to rework a well to continue or enhance production will be made by the operator. The operator may delay reworking a well for a number of reasons, including an inability or unwillingness to pay the costs of reworking the well, low prices for oil or gas, the presence of technical difficulties unique to that well, lack of sufficient porosity or permeability or other factors which make reworking the well not economically practical, disappointing results from other wells in the area, and more promising opportunities elsewhere. We are not likely to be able to prevent the operator from shutting-in a well, if a well is drilled and not productive. If a well is not producing as expected and is not reworked, you could lose all or part of your investment or receive less than the anticipated return from the Partnership.

All of the Kitchen Lights Lease Area is located in the Cook Inlet in the State of Alaska. We will not own geographically diverse assets. We will not have the diversification of risk that one would normally find associated with programs involving a number of properties located in multiple jurisdictions or operated by different operators. Additionally, the value of the Northern Lights ORRI could be affected by events such as natural disasters in Alaska, a shortage in equipment and supplies to develop the Kitchen Lights Lease Area, weather conditions that delay development, environmental issues that prevent development, and any other event which affects the ability of the operator to explore for oil and gas or to produce oil and gas in the Cook Inlet.

It is difficult to drill in the Cook Inlet. The Cook Inlet is a difficult, technologically challenging, and expensive area to drill. Severe winter conditions bring drilling efforts to a seasonal stop, and drilling rigs must be moved and winterized.

The Cook Inlet is an endangered species habitat. It is home to beluga whales, stellar sea lions and numerous species of fish. There is no assurance that environmental concerns will not result in a suspension or ban on further drilling or in a suspension or ban on platforms or pipelines necessary to bring any oil and gas production to market. However, on May 31, 2017, the United Stated Department of Commerce, through its National Oceanic and Atmospheric Administration based in Juneau, Alaska, issued a report which concluded that the proposed plan of development submitted by the operator would not likely contribute to any environmental concerns relating to the endangered species which occupy the Cook Inlet. A copy of this report will be provided to any prospective purchaser upon request or it may be accessed through the Managing Partner's website at http://ProAK.net/home/.

The Kitchen Lights Lease Area could be affected by environmental developments. The Kitchen Lights Lease Area is environmentally sensitive. Federal, state, or local government officials or regulators have in the past or may seek in the future to curtail exploration or development-related activities. There can be no assurance that environmental issues will not arise from time to time which may delay or prevent exploration or development.

Environmental impacts and other regulatory reviews associated with production may delay or prohibit development and production. Once the exploratory wells delineate a commercially producible reservoir, the operator must submit a proposed plan of operations to Alaska and other local, state and federal agencies before undertaking development. Projected surface use requirements may be subject to environmental and other reviews. Approvals of all agencies having jurisdiction must be obtained before development can proceed. Therefore, even when the exploratory wells show the presence of commercial quantities of oil or gas, development may be delayed or prohibited.

Production expenses could result in reduced operations in the Kitchen Lights Unit. Investors will generally receive their portion of the oil and gas produced from an overriding royalty interest (less taxes, preparation expenses and certain marketing costs) regardless of the production and extraction expenses incurred. Production and extraction expenses typically include labor, fuel, repairs, hauling, pumping, insurance, storage and supervision, preparation and administration. Although production and extraction expenses may influence the decision of the operator as to the volume of oil or gas to extract or produce

from a property or whether to shut-in or abandon a specific well, production and extraction expenses will not reduce production payments from the Northern Lights ORRI if or when production commences. Increasing production and extraction expenses could, however, result in reduced operations in the Kitchen Lights Unit including an indefinite delay in drilling wells on the Kitchen Lights Lease Area, or the cessation of production for wells located in the Kitchen Lights Lease Area. Such reduction or cessation could delay, reduce or stop production payments to the Partnership.

The return on investment depends on production. The value of the Northern Lights ORRI will be dependent upon the future oil and/or gas development activities and production that occur in the Kitchen Lights Lease Area. There are many uncertainties inherent in projecting future rates of production or future contemplated development. If the Kitchen Lights Lease Area is not successfully developed, the value of the Northern Lights ORRI will decline and you may lose all of your investment in the Partnership.

The marketing of oil and gas produced on the Kitchen Lights Unit will be affected by a number of factors that are beyond our control and the control of the operator of the Kitchen Lights Unit. The marketing of any oil and gas produced in the Kitchen Lights Unit will be affected by a number of factors whose exact effect cannot be accurately predicted. These factors include local and regional supply, demand and pricing, alternatives to oil and gas, and local and regional weather conditions.

The operator may not receive approval for a production platform for the Kitchen Lights Lease Area. A production platform is necessary to gather and transmit any production from the Kitchen Lights Unit. While the operator has constructed one production platform in the Corsair Block, there is no assurance that the operator will receive approval to construct a platform in the North Block where the Kitchen Lights Lease Area is located.

The Northern Lights ORRI is being sold in its present condition, "as is", "where is" and "with all faults." The Partnership will acquire the Northern Lights ORRI in its present condition, without any warranty, express, implied, at common law or by statute, relating to (a) the accuracy of any data or records concerning the quality or quantity of oil, gas or other hydrocarbon reserves, if any, attributable to the Northern Lights ORRI, including those received from third parties, (b) the environmental condition of the Kitchen Lights Lease Area, (c) any statutory, express or implied warranty of merchantability, (d) any statutory, express or implied warranty of fitness for a particular purpose, (e) any statutory, express or implied warranty of title other than as to adverse claims arising by or through sellers, and (f) any and all other statutory, express or implied warranties.

The leases could be forfeited for reasons unrelated to the Kitchen Lights Unit agreements with Alaska. Leases in the area have been forfeited for failure to comply with regulations of agencies other than the State of Alaska. There can be no assurance that the leases underlying the Northern Lights ORRI will not be forfeited or held to be invalid for reasons we do not currently anticipate.

Transfer of the Northern Lights ORRI is subject to approval of Alaska. The Partnership must submit an Application for Assignment of Interest in Oil and Gas Leases (DNR Form DO&G 25-84 revised 3/12) to the Alaska Department for approval of the commissioner. Any purchaser must be "qualified", which generally means that the purchaser must be either an individual who has reached the age of majority (18 in Alaska), be a legal representative of a qualified individual, or be an entity qualified to do business in Alaska. There is no assurance that Alaska will approve a transfer to the Partnership. However, we anticipate that the transfer will be approved.

Promises, projections or opinions may not be reliable. No person has been authorized to make any oral promises, projections or opinions concerning future events, the Northern Lights ORRI, or the Kitchen Lights Unit and plan of exploration, except as expressly set forth in this Memorandum and any other document expressly authorized by ProAk, LLC to be used in connection with this offering. Oral statements should not be relied upon under any circumstances. Opinions of possible future events, including forward looking statements, are based on various subjective determinations and assumptions. All projections by their very nature are inherently subject to uncertainty, and a prospective investor should understand that written projections, if provided, may not be achieved, that underlying assumptions may prove inaccurate,

that production may not be achieved or sustained, that the pricing received for production is subject to a number of independent market factors and that operations on the Kitchen Lights Lease Area may be unprofitable or never occur at all. There is no assurance of any return on an investment in the Northern Lights ORRI.

There is no guarantee that the drilling of a well will result in the production of oil and/or gas. Drilling for oil and gas is a highly speculative activity that is marked by numerous unproductive efforts. There is no guarantee that any well will be commercial. Productive wells may not produce enough oil or gas either to make a profit in excess of the cost of operating the well or return the invested capital. Lack of porosity and permeability in a target formation may hinder or restrict production or even make it impracticable or impossible. Further, hazards such as unusual or unexpected formations, pressures or other conditions, blowouts, fires, failure of equipment, downhole collapses, and other hazards are involved in drilling, fracking, completing, reworking and recompleting wells. Therefore, there is no assurance that the operator will obtain production from the Kitchen Lights Lease Area or that production, if obtained, will be sufficient to enable us to recoup all or part of our investment.

Attempts to complete drilled wells may be unsuccessful. Following the drilling, testing and logging of a well, the operator determines whether an attempt to complete the well should be made. The fact that an attempt to complete the well is made does not mean that the well will be a commercial well. A decision to make a completion attempt will be based upon the data then available to the operator which indicates the existence of oil or gas in one or more of the zones through which the well was drilled. Any attempt to complete the well may be unsuccessful for any number of operational reasons. The fact that the well is successfully drilled to the required depth and tests thereafter indicate oil or gas formations sufficient to warrant a completion attempt does not, in and of itself, provide assurance that commercial oil and/or gas production will be obtained. If a well is drilled but not completed and is abandoned, we will not receive payments from the well. In addition, we cannot guarantee that the operator will be willing or able to continue to drill wells if it encounters a series of unsuccessful completion attempts.

Risks Related to Our Business

This investment will not be diversified. We will invest in the Northern Lights ORRI, which covers only six leases in one area of the Cook Inlet. The leases are in the same geographic area and target the same formation. They are all operated by the same operator. Consequently, the Partnership's investments will not be diversified. This limited diversification could expose the Partnership to losses disproportionate to risks of the oil and gas industry in general.

Production from the Northern Lights ORRI may not be sufficient to repay our investment or to pay the anticipated return on our investment. Even if one or more wells are drilled and produce oil and gas in commercial quantities, the amount of production or payments received for production may not be sufficient over the lives of any wells to repay our investment or to pay the anticipated return on our investment. Many factors that influence production are specific to each well, such as the initial quantity of production, the rate of decline in production, lack of permeability or porosity in the area of a wellbore, and equipment failures or other disruptions in production. Other factors that will influence the revenues from each well are not specific to each well, such as the prices received for production. The aggregate amount of production or payments from production from the Northern Lights ORRI may be less than anticipated, and we may not recover our investment or earn a return on our investment.

Periodic payments under the Northern Lights ORRI may be less than anticipated, which will have the effect of increasing the time before the investment is repaid and reducing the annual return to our Investor Partners. We may receive periodic payments that are lower than we anticipate, particularly if oil and gas prices decline, or production does not achieve anticipated levels. Our Investor Partners may therefore receive lower periodic payments than anticipated and may receive payments over a longer period of time, increasing the time before they receive a return of their investment and reducing their annual return.

We may have limited access to information concerning operations in the Kitchen Lights Lease Area. We may not get complete or current information regarding operations, such as the development plans of the operator or the current status of production or plans to increase or limit production. Even if this information is provided, it may be incomplete or become inaccurate. The operator is currently providing limited information about its plans, most of which is the information contained in public filings with the state of Alaska.

Oil and natural gas prices have been volatile in the past. The revenues generated by the Northern Lights ORRI (if production is obtained) will be highly dependent upon the prices of, and demand for, oil and natural gas. Prices for oil and gas have been volatile in the past and could become volatile again. Natural gas prices experienced significant increases and decreases over the prior decade, including a decline of almost 72% from July 2008 to April 2009. Gas prices have continued to experience some volatility in the current decade, most recently spiking to a high of almost $8 per million British thermal units (MMBtu) in the first quarter of 2014 before declining to lows averaging below $3 per MMBtu currently (Henry Hub prices). Oil prices also experienced significant changes over the prior decade. The weekly US spot price for a barrel of oil declined over 34% in the first two years of the prior decade before it gradually, although not consistently, increased throughout the rest of the decade until it peaked at approximately $134 in July 2008. Oil prices then declined over 76% to approximately $32 by January 2009. More recently, prices for West Texas intermediate oil dropped from approximately $107 bbl in June 2014 to below $45 bbl in January 2015, a 58% decline, and averaged around $48 bbl in August 2017.

The Cook Inlet is a unique gas market. The Cook Inlet gas prevailing value, which is the weighted average price of significant sales of gas to publicly regulated utilities in the Cook Inlet, is higher than Henry Hub and is averaging around $7 in the third quarter of 2017. The Cook Inlet natural gas market functions differently than natural gas markets in the lower 48 states. It has no spot market and thus no clear signals of value. Instead, natural gas sales are based on prices agreed in contracts between natural gas producers and utilities. The utilities pass the cost on to their customers, who do not participate in price negotiations. Although the Regulatory Commission of Alaska determines whether rates are fair and reasonable, Cook Inlet prevailing prices are currently higher than those in the lower 48 states. The discovery of a large gas deposit by Furie's predecessor, and subsequent production by Furie, is likely to have a significant downward impact on Cook Inlet prevailing gas prices.

Oil and natural gas prices may continue to be volatile in the future. Volatile prices may reduce the amount we receive from production of oil or gas. Volatile prices also may discourage investment in drilling wells, or enhancing production from, or reworking, existing wells. Numerous factors create volatile prices for oil and gas. Oil and natural gas prices may fluctuate significantly in response to minor changes in supply, seasonal demand, market uncertainty, political conditions in oil-producing countries, activities of oil-producing countries to limit or increase production, global economic conditions, government regulations, weather conditions, competition from other sources of energy and other factors that are beyond our control. From time to time, a surplus of oil or gas occurs in areas of North America. The effect of a surplus may be to reduce the price we receive for production or to reduce the amount of production. All of these factors are beyond our control. Changes in oil and gas prices in Cook Inlet will significantly affect the payments to the Partnership and will affect the return on your investment.

Technological developments and the ability to tap new reserves may lead to a long term decline in oil and gas prices. Exploration companies have successfully developed oil sands and shale formations using increasingly sophisticated drilling and fracturing techniques. Drilling, completion and production technology continues to improve efficiency and lower costs. As a result, fields and formations that could not be economically drilled and produced are now being developed. The long term result may be a sustained decline and lower levels of prices for oil and gas than we anticipate. If oil and gas prices in the Cook Inlet area decline or plateau, the amount of any production payments under the Northern Lights ORRI will also decline and/or plateau. This could result in a longer than anticipated time to recover your investment or you may receive less than the anticipated return from the Partnership.

Discoveries of new reserves may decrease the payments under the Northern Lights ORRI. North

America is generally experiencing an increase in estimated reserves of oil and natural gas. The rate at which oil and natural gas reserves are being discovered and proven has also increased. While increased reserves can be beneficial for consumers and the economy, increased reserves may contribute to lower prices or price instability, and may discourage investment in drilling wells or reworking existing wells. This could result in lower payments under the Northern Lights ORRI, and you could lose part of your investment or receive less than the anticipated return from the Partnership.

A relaxation of crude oil export restrictions may reduce demand for oil produced in the Cook Inlet. Most crude oil produced in the United States may not be exported, under regulations administered under the Department of Commerce. However, crude oil produced in the Cook Inlet generally is permitted to be exported, broadening the potential market for such oil. If the current restrictions on export of other U.S. produced crude oil are relaxed, it may decrease demand for crude oil produced in the Cook Inlet.

Concerns regarding hydraulic fracturing, or fracking, could lead to restrictions on fracking. The United States Environmental Protection Agency is conducting a study of the impact of fracking on drinking water resources. Fracking activities can lead to emissions of methane, volatile organic compounds, hazardous air pollutants, and greenhouse gases. The wastewater associated with fracking can contain high levels of dissolved solids, fracturing fluid additives, metals, and naturally occurring radioactive materials. Many water treatment plants in the areas where fracking is occurring are not designed to remove some of these contaminants. Some areas have begun to require operators to post data regarding the chemicals used in fracking on an online database. The results of the EPA study or other developments could lead to increased regulation, or the banning, of fracking in Alaska as well as the United States. In addition, as the industry develops more experience with fracking, liability for pollution of water, or for other occurrences, including earthquakes, could be imposed on oil and gas operators and owners of mineral interests, including royalty interests. These developments or liabilities could lead to a substantial decrease in production from formations where fracking is being used.

The marketing of the oil or gas produced will be affected by a number of factors beyond our control. The marketing of any oil or gas produced will be affected by a number of factors, some of which are beyond our control, and whose exact effect cannot be accurately predicted. There can be no assurance that optimal or the reported pricing will be received for actual production. Actual prices received at the wellhead may vary widely based upon, among other things:

- trading commodity prices;
- fluctuating differentials to NYMEX and/or Henry Hub;
- access to markets;
- distance from markets;
- quality of oil and gas;
- impurities in the oil and gas stream; and
- rates, terms, conditions and deductions in marketing contracts over which we have no control.

Delays in marketing production could delay the receipt of proceeds from production. If production from a well is achieved, numerous factors can delay the marketing of production and consequently delay the receipt of proceeds from production. These factors include, among others, constructing a production platform, negotiating contracts for the sale of production, obtaining the facilities (such as surface equipment and pipeline connections) through which production can be marketed, receiving title opinions, curing title problems, and executing division orders. Thus, many months may pass between the date of establishment of production and the date of marketing such production.

We will depend on gathering, processing and distribution systems built and maintained by the operator. The production and marketing of any oil or gas produced from the Kitchen Lights Lease Area will depend upon the availability and capacity of oil and gas gathering systems, pipelines and processing and storage facilities. This infrastructure may not be constructed or be adequate in the Cook Inlet. We will not control the decision as to whether to build or expand infrastructure. While we anticipate that infrastructure will be

available or built, there can be no assurance that adequate infrastructure will be in place to permit the operator to develop and sell production from the wells. Regulation of oil and gas production and transportation, tax and energy policies, changes in supply and demand, pipeline pressures, disruption to facilities due to maintenance or weather, damage to or destruction of pipelines and general economic conditions could adversely affect the ability to transport production. If any production platforms, pipelines and other facilities become partially or fully unavailable to transport production, or if the natural gas quality specifications for a natural gas pipeline or facility change so as to restrict the operator's ability to transport natural gas on those pipelines or facilities, our investment could be adversely affected. If adequate infrastructure is not available, the operator may be forced to shut-in producing wells or delay or drop development plans. If infrastructure is not available or built, we will not receive production payments.

Even though we will not operate wells, we will be subject to operational hazards and uninsured risks. The Partnership will not operate any wells. Nevertheless, our future success will depend on the success of production, activities by the operator. Drilling activities may be unsuccessful for many reasons, including those described below. Moreover, the successful drilling of a natural gas or oil well does not ensure we will realize income from the well. A variety of factors, both geological and market-related, can cause a well to become non-commercial or only marginally commercial. In addition to their costs, unsuccessful wells can hurt efforts to replace production and reserves, for example, by discouraging further development. The oil and gas business involves a variety of operating risks, including:

- fires;
- explosions;
- blow-outs and surface cratering;
- uncontrollable flows of natural gas, oil and formation water;
- natural disasters, such as earthquakes or tornados;
- pipe, cement, well or pipeline failures;
- casing collapses;
- mechanical difficulties, such as lost or stuck oil field drilling and service tools;
- abnormally pressured or impermeable formations; and
- environmental hazards, such as natural gas leaks, oil spills, pipeline ruptures and discharges of toxic gases and liquids.

We may not insure against hazards involved in oil and gas operations. Natural hazards and risks involved in oil and gas operations are great and include unusual or unexpected formations, pressures, and other conditions described above. The Partnership may be subject to liability for pollution and other similar damages or may lose its investment in a well due to hazards against which the Partnership cannot insure or against which we may elect not to insure due to the premium costs involved or for other reasons. Uninsured losses could harm the financial condition of the Partnership, or result in loss of payments under or the value of the Northern Lights ORRI.

We may engage in hedging activities, which may present additional risks. To manage the Partnership's exposure to price risks in the marketing of its oil and natural gas, in the future if the Partnership begins receiving production payments we may from time to time enter into financial or physical hedging or derivative contracts, including futures contracts, price swaps, options and other derivative instruments. The goal of hedges is to lock in prices so as to limit volatility and increase the predictability of cash flow. These transactions limit our potential gains if oil and gas prices rise above the price established by the hedge. The Partnership's use of hedges to reduce its sensitivity to oil and natural gas price volatility would be subject to a number of risks. If the Partnership does not receive production payments in the amounts and at the times estimated by the Partnership due to inaccuracies in the reserve estimation process, operational difficulties, regulatory limitations or other factors, the Partnership could be required to satisfy its obligations under potentially unfavorable terms. Substantial variations between the assumptions and estimates used by the Partnership in its hedging activities and actual results experienced could materially adversely affect the Partnership's financial condition and its ability to manage risk associated with fluctuations in oil and natural gas prices. In addition, hedging transactions may expose us to the risk of financial loss in certain circumstances, including instances in which our production is less than expected;

the counterparties to our futures contracts fail to perform under the contracts; or an event materially impacts oil or gas prices or the relationship between the hedged price index and the oil and gas sales price.

Our reserve and production estimates are based on subjective assumptions. The value of the Northern Lights ORRI depends upon, among other things, the reserves attributable to those royalty interests. Estimates of proved reserves are by their nature not certain, while estimates of probable reserves are even less certain. In addition, the estimates of future net revenues are based upon various assumptions regarding future production levels, prices and costs that may prove to be incorrect over time. The accuracy of any reserve estimate is a function of the quality of available data, engineering interpretation and judgment, and the assumptions used regarding the quantities of recoverable oil and natural gas and the future prices of oil and natural gas. Geologists and petroleum engineers consider many factors and make many assumptions in estimating reserves. Those factors and assumptions include, but are not limited to, historical production from the area compared with production rates from similarly situated producing areas; the effects of governmental regulation; assumptions about future commodity prices, production and taxes; the availability of enhanced recovery techniques; and relationships with landowners, working interest owners, pipeline companies and others. Changes in any of these factors and assumptions could materially alter reserve and future net revenue estimates. Actual production and revenues will likely vary from estimates and these variances could be material.

Royalty interests are depleting assets. A return on royalty interests is derived from the sale of oil and/or gas, which are depleting assets. As oil and/or gas is produced from the properties, the reserves will be depleted, and the value of the royalty interests is likely to decline. If production is achieved, it will decline over time, and the cash flow derived from the Northern Lights ORRI will decline. Even if the prices of oil and gas rise over the life of the Northern Lights ORRI, decreased production may offset price increases. In addition, the decline rate in Cook Inlet wells ranges as high as 16% to 17%, so the actual productive life may not be as long as estimated. We can give you no assurance that production will be achieved or maintained at anticipated levels or as to the length of time any production will occur. Production from the Northern Lights ORRI may not be sufficient to return our investment or to pay any return on the investment.

The operator could encounter shortages of drilling rigs, equipment, supplies, and personnel. In the past, there have been periods where general shortages of drilling rigs, equipment, and supplies have occurred. Shortages of drilling rigs, equipment, or supplies could delay and adversely affect exploration and development efforts of the operator. The demand for, and wage rates of, qualified rig crews in the drilling industry tend to fluctuate in response to the number of active drilling rigs in service. The oil and natural gas industry may in the future experience shortages of qualified personnel to operate drilling rigs, which could delay drilling operations on the leases and licenses underlying the Northern Lights ORRI, and adversely affect the amount or timing of production payments.

Regulation of the oil and gas industry may adversely affect the return on your investment. The oil and gas industries are subject to extensive governmental regulation which relates to, among others, environmental standards, pollution control, remediation of contamination, preservation of natural resources and worker safety. This regulation may fix rates of production from wells and the prices for oil and gas may be limited. Oil and gas operations are also subject to stringent laws and regulations relating to containment, disposal and controlling the discharge of hazardous oilfield waste and other non-hazardous waste material into the environment, requiring removal and cleanup under certain circumstances or otherwise relating to the protection of the environment. Governmental regulations relating to environmental matters could affect operations by increasing the costs of operations or by requiring the modification of operations in certain areas. Any such government regulation could adversely affect the production and sale of oil and gas, which in turn could adversely affect our cash flow and the value of our partnership interests.

Concerns about climate change could lead to new regulations. Climate change is receiving increasing attention from scientists and legislators alike. The debate is ongoing as to the extent to which our climate is changing, the potential causes of this change and its potential impacts. Some attribute global warming to increased levels of greenhouse gases, including carbon dioxide, which has led to significant legislative and

regulatory efforts to limit greenhouse gas emissions. The outcome of regulatory actions to address global climate change could result in new regulations, additional charges to fund energy efficiency activities, or other regulatory actions. These actions could result in increased costs associated with the production of natural resources or affect the demand for oil and gas. Any action by regulators mandating a substantial reduction in greenhouse gas emissions could have far-reaching and significant impacts on the energy industry. We cannot predict the potential impact of such laws or regulations.

Risks related to the Partnership structure

The Partnership is new. The Partnership is newly-formed and does not have an operating history. With the exception of ProAk Royalties, LP (which is liquidating), which originally acquired similar overriding royalty interests from Mr. Bartholomae and affiliates, and Northern Lights Royalties LP and Northern Lights Royalties II, LP, which recently acquired approximately 2.65% and .75% respectively, of similar overriding royalty interests from ProAK Royalties, LP and Mr. Bartholomae, respectively, prior investment funds controlled by the same management had significantly different strategies and types of investments. Prospective investors may request information regarding prior funds, including ProAK Royalties, LP, Northern Lights Royalties LP and Northern Lights Royalties II, LP to evaluate prior to making an investment in the Partnership.

We cannot assure you that we will be successful. There can be no assurance that the royalty interests the Partnership will acquire will provide a return of your investment or a return on your investment. The Partnership has not authorized anyone to make any representation to the contrary. An investment in the Partnership is suitable only for investors who are capable of identifying, evaluating and bearing the relevant risks. Although this section attempts to describe some of the relevant risks, there are no doubt many more risks that are not described in this Memorandum, any one of which could cause the Partnership to incur losses.

We depend on key personnel. The Partnership and the Managing Partner will depend upon the efforts and skills of Shawn Bartholomae. The loss of Mr. Bartholomae could have a substantial adverse effect on the Partnership.

There are potential conflicts of interest. The Managing Partner and others affiliated with the Partnership have certain conflicts of interest and additional conflicts of interest may arise in the future. See "Conflicts of Interest".

We will not devote all our time to managing the Partnership. Although the manager and affiliates of the Managing Partner will devote as much time to the Partnership as they believe is reasonably necessary to assist the Partnership in achieving its investment objectives, they do not expect to devote all or substantially all of their working time to the affairs of the Partnership. The Managing Partner, and one or more of its related entities, own oil and gas interests. They also manage other partnerships. Furthermore, the Managing Partner may decide to form other oil and natural gas ventures in the future, which could take attention from the affairs of the Partnership.

The Partnership Interests are not freely transferrable. You will not be permitted to transfer, assign, or pledge your Partnership Interest without the Managing Partner's consent, which consent can be given or withheld in our discretion. Further, a transferee of your Partnership Interest may be substituted as a partner only with our consent. Because you will own no direct interest in any royalty interests acquired by the Partnership, you will not be able to transfer, assign, or pledge your proportionate share of such royalty interests.

The Partnership Interests are not liquid assets. The Partnership Interests will not be listed on any securities exchange or quotation system and no public market exists or is likely to exist for the Partnership Interests. To purchase a Partnership Interest, you must make certain representations, including that you are acquiring the Partnership Interest for your own account for investment purposes and not with a view toward distribution or resale. The Partnership Interests are being offered and sold pursuant to specific exemptions from registration provided in federal and state securities laws for transactions involving a private offering,

and the availability of such exemptions depends in part upon your investment intent. Accordingly, you should be prepared to retain your investment until termination of the Partnership.

The Partnership Interests will be subject to restrictions on resale. We are offering the Partnership Interests in a private placement. Therefore, the Partnership Interests will be subject to restrictions on resale. Restricted securities cannot be sold or otherwise transferred absent registration under the Securities Act of 1933, as well as applicable securities statutes of states or other jurisdictions, or pursuant to exemptions from the registration requirements under those statutes. In addition, the Partnership Interests will be subject to restrictions on resale under the Partnership Agreement. Such restrictions could prevent or delay a sale of any Partnership Interests or reduce the amount of proceeds that might otherwise be realized from a sale of Partnership Interests. You should not invest in this offering if you anticipate you will need to sell the Partnership Interests before termination of the Partnership.

Your Partnership Interest could be involuntarily redeemed. A limited partner who withdraws or is subject to an Event of Withdrawal (as defined in the Partnership Agreement) will lose the rights of a partner, although not the economic benefit of its interest in the Partnership. In addition, its Partnership Interest may be redeemed at the discretion of the Managing Partner, whereupon such limited partner will have no further interest in the Partnership. The Partnership Agreement provides a formula for such redemption, but there is no assurance that such formula will result in a return of your entire Capital Contribution or any gain on your investment. Such redemption may result in a loss of part or substantially all of your investment.

You will be asked to make a additional Capital Contributions under Capital Calls. The Managing Partner is authorized to make Capital Calls on the Investor Partners for payment of the management fee and Third Party Expenses incurred by the Partnership. The Managing Partner is specifically authorized to use revenues, if any, of the Partnership to pay these costs in lieu of or in addition to making any Capital Call. If you fail to timely pay a Capital Call, you will be assessed interest at an annual rate of 18% from the date due until paid, and the Partnership shall have the right to offset the entire amount of unpaid Capital Calls and any accrued interest against any distribution otherwise due to you. If you fail to timely pay three or more Capital Calls, whether or not such defaults are as to successive Capital Calls, your Partnership Interest may be forfeited to the Partnership and reallocated among the remaining Investor Partners in proportion to their Partnership Interest, or may be redeemed for the amount of any unpaid Capital Calls, and you will lose your entire interest in the Partnership.

You may be distributed assets in kind upon any dissolution and liquidation. The Partnership will be dissolved upon the happening of certain events set forth in the Partnership Agreement. Upon any dissolution requiring the winding up of a Partnership's business, the liquidator of the Partnership's assets may elect to sell all or a part of the Partnership's assets in order to pay in full all of its liabilities and obligations or for any other reason. There is no assurance that an adequate market for such assets will be available. If no adequate market for such assets is available, or if the liquidator otherwise elects, the net assets of the Partnership may be distributed in kind to the partners.

The Managing Partner may withdraw or be removed. The Managing Partner may withdraw at any time after the expiration of two years from the date of the Partnership Agreement by giving written notice to the limited partners; provided that the Managing Partner has designated a successor person which is competent and willing to serve as Managing Partner, subject to the consent of a Majority-in-Interest. Further, the Managing Partner may be removed by the consent of a Majority-in-Interest at any time it is subject to an Event of Withdrawal. The Managing Partner may otherwise be removed only with the consent of Investor Partners holding at least two-thirds of the Partnership Interests and only upon prior written notice signed by at least two other partners stating the events or actions prompting an attempt to remove, describing in specific detail the actions that must be taken to cure such events or actions, and providing a period of not less than thirty (30) days from receipt of the written notice to cure such events or actions. In the event the Managing Partner is removed, the limited partners would then have to elect a successor managing partner or risk dissolution of the Partnership. There can be no assurance that any other person would be willing to serve as the managing partner of the Partnership. In that event, the Partnership would be dissolved and its business wound up.

The Partnership may incur debt. The Partnership has the authority to incur debt up to certain limits without the approval of the partners, and may incur substantial debt with the approval of the partners. If any debt is incurred and is secured by a lien on a Partnership's assets, the Partnership and its partners may bear a risk of loss of those assets if the debt is not timely paid. Any required periodic payments to the lender will increase the cash flow requirements for the Partnership and diminish cash available for distribution to the partners.

We may incur liability for rescission. The securities of the Partnership are offered and sold in reliance upon a private placement exemption from registration under the Securities Act and applicable securities laws of states and other jurisdictions. If the Partnership, the Managing Partner or any selling broker-dealers fail to comply with the requirements of the relevant exemption the investors may have the right, if they so desire, to rescind their purchase of the securities. If a number of investors sought rescission at one time, the Partnership could be required to make significant payments which could adversely affect its financial condition. If the Partnership is forced to make a rescission offer, its reputation would also likely be significantly harmed. A rescission offer or a loss of reputation would have a material adverse effect on the Partnership's business and results of operations. We intend to comply with all applicable securities laws.

Your investment in the Partnership may be frozen. If the Managing Partner or any governmental agency believes that you are acting, directly or indirectly, in violation of any U.S., international or other anti-money laundering laws, rules, regulations, treaties or other restrictions, or on behalf of any suspected terrorist or terrorist organization, the Managing Partner or such governmental agency may freeze your interest in the Partnership or suspend your withdrawal rights. The Partnership may also be required to remit or transfer your Partnership Interest to a governmental agency.

The Partnership Agreement limits management's liability to you and requires you to indemnify it against certain losses. Management will have no liability to the Partnership for any loss suffered by the Partnership, and will be indemnified by the Partnership against losses sustained by it in connection with its management of such Partnership unless it engages in intentional misconduct or a knowing violation of law or a transaction in which it receives a personal benefit in violation or breach of the Partnership Agreement.

There is no independent representation of purchasers of Partnership Interests. The interests of the investors in this offering have not been separately represented by legal counsel or others in connection with the organization of the Partnership and the offering of Partnership Interests. Counsel for the Managing Partner expressly disclaims any representation of the investors or any limited partner, and will not undertake to monitor compliance of the Partnership or the Managing Partner with applicable laws, the provisions of the Partnership Agreement or the representations in this Memorandum. Accordingly, the terms of the offering, or of the Partnership Interests, or the management of the Partnership may not have been structured in the most favorable manner to the investors and may not include legal protections for the investors which might have been obtained if they had retained independent counsel.

The Partnership will not be registered as an investment company under an exemption from such registrations. The Partnership will not register as an investment company under the Investment Company Act of 1940. The Investment Company Act provides certain protections to investors that will not be applicable to the limited partners as investors in the Partnership and imposes certain restrictions on registered investment companies, none of which will be applicable to the Partnership. If the Partnership were subject to such registration requirements, the Partnership would incur significant registration costs and may be subject to restrictions that would harm its performance.

The Managing Partner has broad authority to respond to changes affecting the Partnership. The Partnership has a projected end date of December 31, 2050. The Partnership is intended to exist over a period of years during which the business, economic, political, regulatory, and technology environment within which the Partnership operates may undergo substantial changes, some of which may be adverse to the Partnership. The Managing Partner will have the exclusive right and authority (within limitations set forth in the Partnership Agreement) to determine the manner in which the Partnership responds to such changes. You will have only a limited right to withdraw from the Partnership or to approve changes in the Partnership's significant activities.

The Managing Partner is not required to provide financial support to the Partnership. The Partnership will invest substantially all of its assets in royalty interests, which are not highly liquid. If the Partnership requires additional funds, it must obtain those funds from the cash flow from royalty interests it owns, from the sale of assets, through a Capital Call, or by borrowing amounts. The Managing Partner will not be required to provide loans or any other form of financial support to the Partnership.

Tax Risks of an Investment in Partnership Interests

You must consult with your own advisor regarding tax consequences and risks. There are risks associated with the federal income tax consequences of the purchase, ownership and disposition of Partnership Interests. The following paragraphs summarize some of the federal income tax risks to a prospective investor. Because the federal income tax consequences of purchasing, owning and disposing of Partnership Interests are complex and certain federal income tax consequences may differ depending on individual tax circumstances, you should consult with and rely on your own tax advisor about the tax consequences of investing in the Partnership and your individual tax situation. **No representation or warranty of any kind is made with respect to the acceptance by the IRS or any court of law regarding the federal income tax treatment of any item of income, deduction, gain, loss or credit by a limited partner on its tax return.**

The Alaska legislature recently adopted changes to oil and gas tax credits. Until recently, Alaska was paying out more in production tax credits than it collects in production taxes, primarily due to the steep decline in oil and gas prices. These oil and gas tax credits can be used as an offset to production taxes owed to the State of Alaska. In 2016, Alaska adopted changes to its system of oil and gas credits to alleviate its concerns. A discussion of these legislative changes can be found within this Memorandum under the category "United States Federal Income Tax Considerations". While a change in tax credits could affect long term exploration plans, such plans are more likely to change in response to results of exploration wells or in response to expectations regarding oil and gas prices. We are not able to predict at this time whether these tax changes will have an impact on production, or plans for future development in the Cook Inlet, or the impact, if any, on royalties that might be paid under the Northern Lights ORRI.

You may be allocated income on which you will be required to pay taxes without receiving any corresponding cash distribution from the Partnership. Because portions of the Partnership's income will be used to fund certain expenses and may be used to repay borrowings for which the Partnership is liable, such income will not be available for distribution to the partners. You will be allocated your portion of such income, and may be required to pay income taxes on such income, even if you do not receive a corresponding distribution of cash from the Partnership. Income allocated to partners is included in taxable income regardless of whether such income is actually distributed.

Federal tax treatment depends upon Partnership classification. The availability of certain benefits to investors of participating in the Partnership depends upon the classification of the Partnership as a "partnership" rather than as an association taxable as a corporation for federal income tax purposes. Under current law, the Partnership should be treated as a partnership for federal income tax purposes and not as an association taxable as a corporation, so long as an election is not made to treat it as a corporation for federal income tax purposes. It is not anticipated that such an election will be made. Should such an election be made, the taxable income of the Partnership would be subject to the federal income tax imposed on U.S. corporations. As a partnership for federal income tax purposes, the Partnership itself will not be subject to federal income tax. Rather, the income, gain, loss, and items of deduction will flow through to the limited partners of the Partnership. Consequently, each limited partner will be subject to tax on its distributable share of Partnership income, whether or not the Partnership distributes cash in an amount equal to such income.

A partnership that is "publicly traded" is automatically classified as a corporation for tax purposes. A partnership is "publicly traded" if interests in the partnership are either traded on an established securities market or are readily tradable on a secondary market or its substantial equivalent. The Partnership is not expected to be a "publicly traded partnership."

Taxation on disposition of Partnership Interests could cause you to recognize income when the consideration you receive is less than your Capital Contribution. If you sell or otherwise dispose of your Partnership Interest (other than through gift or inheritance), you could recognize taxable income (or loss) equal to the difference between the consideration received and the basis in the Partnership Interest rather than the amount of your Capital Contribution. It is possible that you could recognize taxable income when the consideration received is less than or equal to your Capital Contribution.

Tax exempt organizations may be subject to federal income tax on their unrelated business taxable income. Tax-exempt organizations, although generally exempt from federal income tax under Code Section 501(a), nevertheless may be subject to federal income tax on their UBTI. UBTI also includes certain debt-financed income. UBTI is gross income reduced by directly related deductions derived by a tax-exempt organization from regularly carrying on a trade or business that is not substantially related to the organization's tax-exempt purpose (aside from the need of such organization for income or funds) reduced by the deductions directly connected to that trade or business. The definition of UBTI includes a number of exclusions. UBTI does not include dividends, interest and royalties, provided such items are not from debt financed property. For UBTI purposes, royalty income includes income from mineral royalties whether measured by production or gross or taxable income from the property.

FOR CERTAIN TAX-EXEMPT ENTITIES - SUCH AS CHARITABLE REMAINDER TRUSTS AND CHARITABLE REMAINDER UNITRUSTS (AS DEFINED IN CODE SECTION 664) - THE RECEIPT OF ANY UNRELATED BUSINESS TAXABLE INCOME MAY HAVE EXTREMELY ADVERSE TAX CONSEQUENCES, INCLUDING AN EXCISE TAX OF 100% OF SUCH UBTI. THEREFORE, TRUSTEES OF SUCH TRUSTS AND UNITRUSTS SHOULD CAREFULLY CONSIDER THE CONSEQUENCES OF ANY UBTI BEFORE PURCHASING PARTNERSHIP INTERESTS.

The Partnership intends to acquire royalty interests in oil and gas properties and intends that the income from the royalty interests will be the type that is excluded from the definition of UBTI. As the Partnership may incur debt, there is no assurance that the Partnership will not generate UBTI at some point over the life of the Partnership. There is no assurance that the IRS will accept and not challenge the characterization of the income from the Partnership as income that is not UBTI. If the IRS successfully determined that income from a Partnership is UBTI, tax-exempt investors may be subject to tax on that portion of their income that is UBTI.

Changes in U.S. federal income tax law may significantly affect the federal income tax consequences of an investment in Partnership Interests. Prospective investors should be aware that new administrative, legislative or judicial action could significantly change the U.S. federal income tax consequences of the purchase, ownership and disposition of Partnership Interests. Any such change may or may not be

retroactive with respect to transactions entered into or contemplated before the effective date of such change and could have a material adverse effect on an investment in Partnership Interests.

Certain federal income tax deductions currently available with respect to oil and gas exploration and development may be eliminated as a result of future legislation. Legislation proposed in recent years to eliminate favorable U.S. federal income tax provisions currently available to oil and gas exploration and production companies failed to gather sufficient votes to pass. Similar proposals can be expected in the future. Possible changes include, but are not limited to, (i) the elimination of current deductions for intangible drilling and development costs; (ii) the elimination of the depletion deduction; and (iii) an extension of the amortization period for certain geological and geophysical expenditures. It is unclear, however, whether any such changes will be enacted or how soon such changes could be effective. Any limitation or repeal of tax deductions that are currently available with respect to oil and gas exploration and development could adversely affect the tax treatment of cash flow from and the value of the Partnership Interests.

The amount of depletion deductions will depend in part on your individual facts and circumstances. Each limited partner will compute its depletion deductions for the Partnership separately from the other limited partners. The amount of depletion deductions to which you will be entitled depends in part on your individual facts and circumstances. We will provide you with information sufficient for you to compute your depletion deductions, if or when we begin receiving production payments.

You should consult with your own tax advisor concerning the applicability of the alternative minimum tax. The alternative minimum tax applies to designated items of tax preference. You should consult with your own tax advisor concerning the applicability of the alternative minimum tax to your tax situation if you invest in the Partnership.

Your investment in the Partnership could result in an audit of your tax returns. An audit of the Partnership's tax returns by the IRS or any other taxing authority could result in a challenge to, and disallowance of, some of the deductions claimed on such returns. If an audit of the Partnership were to result in the disallowance or deferral of deductions claimed by the Partnership, or a reallocation of Partnership income or loss among the partners, each partner would be responsible for any increased taxes assessed and for any related penalties and interest. The Partnership may incur expenses in connection with audits of, and adjustments proposed to, its returns, and any such expenses will reduce the amounts distributable to the partners. An audit of a limited partner's tax returns could arise as a result of an examination by the IRS or any other taxing authority of tax returns filed by the Partnership, its affiliates or another limited partner.

Depending on the results of an audit, the IRS could assess significant accuracy-related penalties and interest on tax deficiencies. In the event of an audit that disallows a limited partner's deductions, limited partners should be aware that the IRS could assess significant penalties and interest on tax deficiencies. The Code provides for penalties relating to the accuracy of tax returns equal to 20% of the portion of the tax underpayment to which the penalty applies. The penalty applies to any portion of any understatement that is attributable to (a) negligence or disregard of rules or regulations, (b) any substantial understatement of income tax, or (c) any substantial valuation misstatement. A substantial valuation misstatement occurs if the value of any property (or the adjusted basis) is 200% or more of the amount determined to be the proper valuation or adjusted basis. This penalty generally doubles if the property's valuation is overstated by 400% or more. In addition to these provisions, the IRS could impose a 20% accuracy-related penalty for a reportable transaction that has a significant tax avoidance purpose. This penalty is increased to 30% if the transaction is not properly disclosed on the taxpayer's federal income tax return. Failure to disclose such a transaction can also prevent the applicable statute of limitations from tolling in certain circumstances and can subject the taxpayer to additional disclosure penalties ranging from $10,000 to $200,000, depending on the facts of the transaction. Any interest attributable to unpaid taxes associated with a non-disclosed reportable transaction may not be deductible for federal income tax purposes.

Tax shelters and reportable transactions. A taxpayer's ability to claim privilege on any communication with a federally authorized tax preparer involving a tax shelter is limited. In addition, taxpayers and

material advisors are required to comply with disclosure and list maintenance requirements for reportable transactions. We have concluded that the sale of Partnership Interests should not constitute a reportable transaction. Accordingly, we do not intend to make any filings pursuant to these disclosure or list maintenance requirements. There can be no assurance that the IRS will agree with this determination by us. Significant penalties could apply if a party fails to comply with these rules, if such rules are ultimately determined to be applicable.

You should consider the applicability and impact of any state and local tax laws. In addition to U.S. federal income tax consequences, you should consider the state and local tax consequences of an investment in the Partnership Interests. You should consult with your own tax advisors concerning the applicability and impact of any state and local tax laws.

This Memorandum was not written, and cannot be used, for the purpose of avoiding federal tax penalties that may be imposed on a taxpayer participating in the Partnership. This Memorandum was written to support the promotion or marketing of the Partnership Interests.

THE FOREGOING RISK FACTORS ARE NOT A COMPLETE EXPLANATION OF ALL OF THE RISKS INVOLVED IN THE OFFERING OR AN INVESTMENT IN THE PARTNERSHIP. YOU SHOULD READ THIS MEMORANDUM AND ITS EXHIBITS IN THEIR ENTIRETY BEFORE DETERMINING WHETHER TO SUBSCRIBE FOR A PARTNERSHIP INTEREST.

TERMS OF THE OFFERING

General

We are offering up to $5,900,000 in Partnership Interests. We may sell less than $5,900,000 in Partnership Interests in our discretion. If we sell less than $5,900,000, the Managing Partner may waive payment of a portion of the fixed, non-accountable fees and expenses due it, and/or the Partnership may borrow funds to complete the purchase of the Northern Lights ORRI [including seller financing], or the Partnership may seek to purchase a lesser amount of the Northern Lights ORRI. We reserve the right to increase the offering to up to $8,850,000 and to purchase up to an additional 0.25% Northern Lights ORRI for the same proportionate price. The minimum Capital Contribution is $25,000, although we may waive the minimum in our discretion. The offering will terminate upon the earlier of the sale of all Partnership Interests offered hereby or March 31, 2018, which termination date can be extended in our discretion for up to two consecutive three-month periods, without notice to the partners. We reserve the right to terminate the offering at any earlier time in our discretion. We are not establishing an escrow, and there is no minimum amount of Capital Contributions or minimum number of Partnership Interests which must be sold in this offering. See Exhibit A, the Partnership Agreement, which sets out the rights and obligations of the partners.

The Partnership Interests are being offered on a "best-efforts" basis in accordance with Rule 506(c) of Regulation D to persons who are accredited investors. Each subscriber must provide verification that they are an accredited investor, as explained below. We will entertain offers for subscriptions on a case-by-case basis, with the right to accept or reject any subscription agreement for any reason. **The execution of the subscription agreement constitutes a binding offer and an agreement to hold the offer open until we accept or reject the subscription agreement.**

Prospective purchasers of limited partnership interest should <u>not</u> tender funds in payment of their subscription until they have been verified as "accredited investors" and have been notified of same by the Managing Partner. Once a Subscription Agreement has been accepted, the purchasers will be asked to tender funds in payment for their subscription.

The Partnership Interest of an investor will be calculated on the basis of Capital Contributions, as a percentage of all Capital Contributions by all Investor Partners, times eighty-five percent (85%). **We**

reserve the right to offer the Partnership Interests net of fees and commissions and to adjust the Partnership Interests accordingly, or to provide different terms in connection with a significant or strategic investment.

You may subscribe for a Partnership Interest by properly completing, executing, and delivering the following electronically to the address set out at the end of this Memorandum: (a) a completed and executed subscription agreement and purchaser suitability questionnaire, (b) an accredited investor verification provided by a third party, as explained below, and (c) an executed signature page to the Partnership Agreement. You agree that an electronic signature, or an electronic record of a manual signature, to a Partnership Agreement and to a subscription agreement shall be given legal effect and deemed valid and binding on the person authorizing or transmitting such signature and any person to whom the signature is attributable, whether or not such signature is encrypted or otherwise verified.

The full subscription price for Partnership Interests should be paid by check or cashier's check payable to Northern Lights Royalties III, LP or wired to us in accordance with the wiring instructions provided by us. All subscribers whose subscription agreements are accepted will be admitted as Investor Partners in the Partnership once you are verified as an "accredited investor".

Plan of Distribution

The Partnership Interests will be offered through the Managing Partner. We may also enter into placement agreements with registered securities broker dealers. The Partnership may pay sales commissions and due diligence fees to registered securities broker-dealers who place Partnership Interests, and such commissions and fees will be paid by the Managing Partner from its share of offering proceeds. We may also contract with investment advisers to recommend Partnership Interests to their clients and may reimburse such investment advisers for due diligence expenses.

Suitability Standards

Investment in the Partnership Interests involves a high degree of risk and is suitable only for persons of substantial means who have no need for liquidity in their investment and can afford a complete loss of their investment. The following suitability requirements represent the minimum suitability requirements for investors. The satisfaction of these requirements by a prospective investor does not necessarily mean that an investment in the Partnership is a suitable investment for that investor. We reserve the right in our discretion to reject any subscription agreement.

This offering is made in reliance upon the exemptions from the registration requirements of the Securities Act of 1933. You must be an accredited investor to invest. Accordingly, you must make the representations in the subscription agreement that:

(a) you understand that you must bear the financial risks of your investment in the Partnership for an indefinite period of time because the Partnership Interests have not been registered under the Securities Act of 1933 or other applicable securities laws and, therefore, may not be sold unless they are subsequently so registered or an exemption therefrom is available;

(b) you are acquiring the Partnership Interest for investment solely for your own account and without any intention of reselling, distributing, subdividing, or fractionalizing it;

(c) you understand the Partnership Interests cannot be transferred except in compliance with the restrictive provisions of the Partnership Agreement of the Partnership and applicable securities laws; and

(d) you qualify as an "accredited investor," as that term is defined in Rule 501(a) of Regulation D under the Securities Act of 1933. See the definition of "accredited investor" in "Definitions" below.

(e) you have received, read and fully understand this Memorandum and are solely basing your decision to invest on the information contained in this Memorandum and other written information provided by the Managing Partner. You must not have relied on any representations made by any other person.

A corporation, partnership or other business entity will be counted as one purchaser. However, if that entity was organized for the specific purpose of acquiring the Units, each beneficial or equity owner of the equity securities or equity interests in such entity must be an accredited investor.

We will accept a subscription from a Traditional IRA or Roth IRA. We do not intend to sell Units to any number of record owners which would thereafter require the Partnership to register as a reporting company under the Securities Exchange Act of 1934.

Verification that you are an accredited investor

The rules governing offerings such as this under Rule 506(c) require us to take reasonable steps to verify that you are an accredited investor before accepting a subscription from you. This verification may be accomplished in different ways. The Subscription Documents which are attached to this Memorandum as an exhibit contain instructions to enable you to provide an appropriate verification from your attorney, certified public accountant, registered securities broker-dealer or investment adviser registered with the Securities and Exchange Commission. If you are not able to provide a third party verification, we may accept copies of your United States Federal Income Tax Return for each of the two prior years, and your certification that you have a reasonable expectation of reaching the same income level in the current year. Your tax returns must show that you had an individual income in excess of $200,000 in each of the two most recent years for which you have filed a return or had joint income with your spouse in excess of $300,000 in each of those years. We will not accept a subscription agreement from any person who is not able to provide the verification of accredited investor status.

Anti-Money Laundering Compliance

In order to ensure compliance by the Partnership with U.S. statutory and other generally accepted best practices relating to anti-money laundering, including, but not limited to, the regulations of the U.S. Office of Foreign Assets Control (OFAC) and the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act) and the regulations promulgated thereunder, a prospective investor will be required to confirm its identity and the identity of its beneficial owners, if applicable. For example, an individual may be required to produce a copy of a driver's license, passport, or identification card duly certified by a notary public, together with two items of evidence of his/her address (such as a utility bill or bank statement) and date of birth. In the case of entities, we may require the names, occupations, dates of birth and residential and business addresses of all directors, managers or general partners and the names, occupations, dates of birth and residential and business addresses of significant or controlling beneficial owners.

Enhanced due diligence procedures prior to accepting investors will be undertaken by the Partnership if the investor is believed to present high risk factors with respect to money laundering activities. Examples of persons posing high risk factors are persons resident in or organized under the laws of a "non-cooperative jurisdiction" or other jurisdictions designated by the U.S. Department of Treasury as warranting special measures due to money laundering concerns, and any person whose capital contributions originate from or are routed through certain banking entities organized or chartered in a non-cooperative jurisdiction.

In addition, the Partnership is prohibited from accepting subscriptions from, or on behalf of persons on the List of Specially Designated Nationals and Blocked Persons maintained by OFAC; foreign persons listed in the Annex to Executive Order 13224 or subject to such Executive Order; persons listed on such other similar lists or in orders as may be promulgated by law, or regulation; and foreign banks unregulated in the jurisdiction they are domiciled in or which have no physical presence.

If within a reasonable period of time following a request for verification of identity, we have not received evidence of direct and beneficial ownership satisfactory to us, we may, in our discretion, reject the subscription agreement, in which event subscription monies will be returned without interest or deduction to the account from which such monies were originally debited.

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OUR BUSINESS

WE EXPECT EACH RECIPIENT OF THIS MEMORANDUM TO KEEP CONFIDENTIAL THE INFORMATION IN THIS MEMORANDUM. IF YOU BELIEVE YOU NEED TO PROVIDE THIS INFORMATION TO ANYONE OTHER THAN YOUR ADVISORS WHO ARE OBLIGATED TO KEEP INFORMATION YOU PROVIDE CONFIDENTIAL, PLEASE CALL US FIRST SO THAT WE MAY OBTAIN AN APPROPRIATE CONFIDENTIALITY AGREEMENT THAT PROTECTS OUR INTERESTS AND THE INTERESTS OF OUR INVESTORS. PLEASE SEE EXHIBIT C FOR ADDITIONAL INFORMATION ABOUT THE KITCHEN LIGHTS LEASE AREA.

Summary of the Northern Lights ORRI

The Northern Lights ORRI is an overriding royalty interest in six State of Alaska competitive oil and gas leases identified as lease numbers 389927, 389928, 389929, 389930, 390374, and 390381, covering lands located in Cook Inlet, Kenai Peninsula Borough and Municipality of Anchorage, Alaska. The six leases are sometimes referred to as the Kitchen Lights Lease Area. All of these leases are located in the North Block of the Kitchen Lights Unit.

We intend to purchase the Northern Lights ORRI from our Managing Partner, ProAK. If the purchase from ProAK is not completed for any reason, we may use all or part of the net proceeds to purchase overriding royalty interests in the Kitchen Lights Lease Area from other affiliates and/ or unaffiliated third parties. We anticipate that any such purchase would be for the same proportionate price as the purchase from ProAK. As of the date of this Memorandum, ProAK, LLC owns 2.588312% of the Northern Lights ORRI. The percentage of the Northern Lights ORRI being purchased from ProAK will reduce the amount of its retained interest in the royalties to 1.838312%.

The activities of our affiliates in the Kitchen Lights Lease Area

Prodigy Alaska, LLC (Prodigy Alaska) was formed by Shawn Bartholomae in April 2001 (under the name Saddleback Resources, LLC) for the purpose of exploring for and developing oil and gas reserves in the Cook Inlet Basin. In May 2001, the original Northern Lights leases were granted to Prodigy Alaska as fifteen State of Alaska competitive oil and gas leases numbering 389927 – 389931, 390097 – 99, 390374 – 377, 390381 – 382, and 390384, all located in the Cook Inlet, Kenai Peninsula Borough, Alaska. Prodigy Alaska (then known as Saddleback Resources, LLC) acquired all of the working interest in the original fifteen leases, comprising 36,205 gross acres, more or less, and was the fourth largest leaseholder in this area.

Only six of the original fifteen leases are still active. These six leases comprise the Kitchen Lights Lease Area. A lease expires at the end of its primary term unless it is held by development on the lease or as part of an active unit. The six leases remaining from the original fifteen are located in the Kitchen Lights Unit, which is an active unit. The remainder of the original fifteen leases expired.

In early 2006, Prodigy Alaska sold the working interest in the leases it had acquired in the Kitchen Lights Lease Area to Rutter and Wilbanks. The sale to Rutter and Wilbanks did not include the Northern Lights overriding royalty interest which was retained in the leases by certain members of Prodigy Alaska, including Mr. Shawn Bartholomae, the President of Prodigy Alaska and Mr. Alan Bartholomae, his brother and the current Vice-President of Prodigy Alaska, and by other individuals.

In 2007, ProAK Royalties, LP, also formed by Shawn Bartholomae and managed by ProAK as the general partner, raised approximately $5.3 million from investors and used the proceeds to acquire approximately 2.65% of the Northern Lights overriding royalty interests retained by Mr. Bartholomae and others.

Since 2007 overriding royalty interests have been bought and sold at various times and at various differing prices by the original owners, including Mr. Bartholomae and ProAK. Over the past year, Mr. Bartholomae and ProAK have made at least nine purchases of overriding royalties from unaffiliated third

parties. Between August 2016 and July 2017, ProAK acquired approximately 6.9125% of Northern Lights ORRI's from unaffiliated third parties at prices ranging from $93,750 for .09375% of royalty interest to $1,000,000 for .50% of royalty interest.

With respect to sales of royalty interests by Mr. Bartholomae or ProAk, LLC or one of their affiliates, in September 2016, Northern Lights Royalties LLC, using the proceeds of an offer similar to this offering, purchased over 2.65% of overriding royalties from one of Mr. Bartholomae's affiliates, ProAk Royalties, L.P. for $13,200,000. Most recently, in mid-September 2017, Northern Lights Royalties II LLC, using the proceeds of an offering similar to this offering, purchased .75% of overriding royalties from Mr. Bartholomae and ProAK for $8,850,000. Mr. Bartholomae and ProAK received significant direct and indirect compensation in connection with these purchases by Northern Lights Royalties LLC and Northern Lights Royalties II LP. If you desire more detailed information about prior purchases and sales by our affiliates of Northern Lights overriding royalty interests since the leases were originally granted by the State of Alaska, please request this information from our Managing Partner. This Partnership is being formed in part because the prior offerings by Northern Lights Royalties LP and Northern Lights Royalties II LP were completely sold. The pricing for each proportionate interest in Northern Lights ORRI being sold in this offering is the same as was previously offered to investors in the Northern Lights Royalties II LP.

ProAK and Mr. Bartholomae have been actively purchasing and selling Northern Lights overriding royalties for their own account, including multiple purchases and sales in the past two years as indicated above. These purchase and sales were at prices significantly lower than the proportionate price the Partnership will pay if it acquires the Northern Lights ORRI.

Kitchen Lights Unit

The information set out below is derived in part from reports by William M. Cobb & Associates, Inc. which our affiliates have commissioned from time to time, and the website maintained by the State of Alaska, Division of Oil and Gas, Department of Natural Resources, which information has not been independently verified.

The Kitchen Lights Unit is located in the middle of the Upper Cook Inlet Basin, Alaska. The Cook Inlet Basin is an elongate, northeast-southwest trending, fault-bounded basis that extends from the Matanuska Valley southward along the Alaska Peninsula. It is oil and gas rich, having produced to-date, in excess of approximately 1.3 billion barrels of oil (BBO) and 6 trillion cubic feet of gas (TCFG), primarily from sands of Miocene (Beluga and Tyonek) and Oligocene (Hemlock) age. The Kitchen Lights Unit is surrounded by giant and super-giant oil and gas fields and is located immediately adjacent to the deep synclinal area of the Cook Inlet Basin ("source kitchen") where significant volumes of oil and gas were generated.

The Kitchen Lights Unit was formed in 2007 and expanded and renamed in 2009. The original Kitchen Lights Unit Agreement was extended in 2012 to January 2016. In September 2015, the Director of the Alaska Division of Oil and Gas entered an order granting "discovery well" status to the KLU #3 and reducing the royalty rate from 12.5% to 5% for all production allocated to four previously undiscovered pools within that lease (which is not one of our leases and is in the Corsair Block, not the North Block where our leases are located). The pools are located in the Sterling and Beluga formations. A discovery well is a well that discovers the first acceptable evidence of the existence of a previously undiscovered oil or gas pool.

In connection with the 2015 certification, the Director found that four previously undiscovered gas pools have a well capable of producing in paying quantities. We believe that the Kitchen Lights Unit Agreement is currently in effect under the provisions of Alaska Administrative Code 83.336, which provides in part that "a unit agreement becomes effective upon approval by the commissioner and automatically terminates

five years from the effective date unless (1) a unit well in the unit area has been certified as capable of producing hydrocarbons in paying quantities, in which case the unit agreement will remain in effect for so long as hydrocarbons are produced in paying quantities from the unit area, or for so long as hydrocarbons can be produced in paying quantities and unit operations are being conducted in accordance with an approved unit plan of exploration or development", although we have not obtained an opinion from an attorney or other professional to that effect. See "Current Kitchen Lights Unit production" below for information about production and about gas contracts obtained by Furie.

Plans of Exploration and Development for the Kitchen Lights Unit

The Kitchen Lights Unit, approximately 83 thousand acres in the Cook Inlet, is divided into four exploration blocks: the Corsair, North, Southwest and Central Blocks. The six active leases underlying the Northern Lights ORRI are all located in the North Block. The six leases will continue in effect only if the operator complies with the plan of exploration for the Kitchen Lights Unit or receives approval of an amendment to the plan of exploration. A plan of exploration for a unit sets drilling commitments and other commitments. If these commitments are not met, the result could be that one or more undrilled blocks would be contracted out of the unit. If a block is contracted out of the Kitchen Lights Unit, and the leases in the block are past their primary terms and not extended, the leases will be forfeited to the State of Alaska. All of the six leases in the Kitchen Lights Lease Area are past their primary terms. If the leases underlying the Northern Lights ORRI are forfeited, the assets to be acquired by the Partnership will have little value, and you will likely lose your entire investment in the Partnership. However, we think that Furie would not choose to relinquish the North Block, where our leases are located, as it has drilled one well, the KLU #4, in the North Block, which well Furie plans to re-enter in 2018. Furie has also announced plans to drill another well, the KLU #9, in the North Block on one of the leases underlying the Northern Lights ORRI in 2018.

Furie has obtained approvals by the State of Alaska to amend its plan of exploration from time to time, and the plan of exploration has been amended in each drilling season. In addition, Furie has amended its plan of Development for the Kitchen Lights Unit. In November 2016, Furie submitted its plan to amend its development for the Kitchen Lights Unit. Pursuant to this amended plan of development, Furie indicated that it first intended to kill the KLU#6 into the Deep Jurassic Formation in July 2017, followed by the re-entry of the KLU#4 in May 2018. Both of these Wells are in the North Block, but not on one of the leases underlying the Northern Lights ORRI. Furie further announced its tentative plans to drill the KLU#9 in July 2018 on one of the leases underlying the Norther Lights ORRI. While Furie indicated that its plans were tentative, we have every expectation to believe that at some point a well or wells will be drilled on the leases underlying the Northern Lights ORRI. Factors which we might not anticipate at this time could ultimately affect Furie's decision on the timing of operations in the North Block as we have seen in the past. As such, we can give no assurance that a well will be drilled on any of the leases underlying Northern Lights ORRI in the near future. That is why we believe this investment opportunity should be considered a long term investment and not be viewed as one which will generate immediate returns to the partnership, and thus its partners.

Furie delivered a new jack-up drilling rig for the Kitchen Lights Unit

In December 2015, a Furie senior executive stated that Furie will use Shell Drilling's Randolph Yost jack up rig for future drilling in the Kitchen Lights Unit. The Randolph Yost is an independent-leg cantilever jack-up rig. We understand from news reports that this drilling rig is more powerful than the rig previously used to drill the existing wells. The rig was brought to Homer, Alaska early in 2016 for mechanical modifications, and delivered to Cook Inlet in March 2016.

Furie drilled one well and is drilling a second well in the 2016 drilling season

Furie drilled the KLU A-2 well in the summer of 2016. In July 2016, Furie was issued a permit, number 2160860, to drill the KLU A-2A well, which we understand from published news reports was drilled and completed. Furie also plans to re-enter the KLU #4 well in 2018, as well as to drill the KLU #9 in 2018,

and the KLU # 12 well in 2019. The KLU #4 well was originally drilled to 10,000 feet in 2014, and will be drilled deeper in an attempt to reach a suspected oil reservoir, according to statements by Furie.

Current Kitchen Lights Unit production

According to the well production data supplied by the Alaska Department of Natural Resources, the KLU #3 began producing in mid-November 2015. It produced 192,114 MCF of gas in December 2015, increasing to 239,803 MCF of gas in January 2016 and to 286,278 MCF of gas in February 2016, before dropping to 17,986 in March. Production from the KLU #3 has averaged 312,941 MCF per month from April through August, the most recent month for which we have data as of the date of this Memorandum. According to the Alaska Department of Revenue, the prevailing value for gas delivered in Cook Inlet was approximately $6.236 MCF in the most recent calendar quarter.

Furie signed an agreement in September 2015 with Homer Electric Association, Inc., a utility cooperative located in Homer, Alaska that serves almost 23 thousand members over a 3,166 square-mile service area on the southern Kenai Peninsula. Under the terms of the agreement, Homer Electric's generation and transmission subsidiary, Alaska Electric and Energy Cooperative (AEEC), will receive natural gas from Furie beginning in April 2016 and continuing until December 2018. Additionally, there are two one-year options to extend the term of the agreement through December 2020. The gas will be used to fuel Homer Electric's power plants in Nikiski and Soldotna. The agreement originally called for AEEC to purchase between 4.0 and 6.2 billion cubic feet of natural gas annually beginning in March 31, 2016. The price for gas under the contract will actually be lower than what AEEC was paying for gas under its existing contract.

Furie is currently supplying gas to AEEC, for power generation, and to Aurora Gas, for supply to the Tesoro oil refinery at Nikiski on the Kenai Peninsula, according to recent news reports. The Homer Electric contract anticipates delivery of 12 million to 18 million cubic feet of gas per day, depending on the time of year, according to a recent news report. We were not able to verify the anticipated gas delivery. In addition, a contract to supply gas to Enstar Natural Gas Co., the main Southcentral Alaska gas utility, comes into effect in 2018, but is contingent upon Furie drilling two more Kitchen Lights development wells. The Enstar contract anticipates gas delivery rates in the range of 10 million cubic feet to 22 million cubic feet per day,according to a recent news report. The subsea pipeline that delivers gas from the Julius B platform installed by Furie to its gas processing facility in the Kenai Peninsula has a reported capacity of 100 million cubic feet per day. Furie's development plan for the Kitchen Lights Unit anticipates the eventual construction of two 100 million cubic feet per day subsea pipelines from the platform.

The Alaska Department of Natural Resources approved a Unit Plan of Operations for the Kitchen Lights Unit in May 2016

The decision authorized Furie to continue oil and gas exploration activities in the KLU. The Plan of Operations, as approved, required Furie to mobilize a jack-up rig to Cook Inlet, which it has done. The Plan of Operations also authorized Furie to drill up to nine new exploration wells and one well re-entry at a rate of up to two wells per year beginning in 2016 and ending in 2021. Furie amended its plan and announced that it is re-entering the KLU #4 well in 2018 and drilling one well, the KLU #9, in July 2018. The proposed location for the KLU #9 well is on one of the leases underlying the Northern Lights ORRI. If Furie carries through with these plans, it is possible that a well will be producing from the Northern Lights ORRI we seek to acquire in 2019. See the maps showing the proposed location of the KLU #9 attached as Appendix A to this Memorandum. Of course, Furie may change plans, subject to negotiations with and approval by the Alaska Department of Natural Resources. We believe that Furie intends to pursue continuous development of the Kitchen Lights Unit. There can be no assurance, however, that Furie will not change plans and drill on a different location that does not include one of our underlying leases.

Because of the expense and time involved in construction of a production platform, a well in the Kitchen Lights Unit may be drilled months, if not years, before it is placed in production. We are not able to predict when a production platform will be completed in the North Block, although Furie has started the permit process for a platform to be located near the KLU #4 well. Unlike unitization agreements in some states,

the Kitchen Lights Unit Agreement serves to hold leases in place, but production from a lease in the unit is not shared with owners of mineral interests in other leases in the unit. In other words, a well must be drilled in the Kitchen Lights Lease Area and placed in production before we will begin to receive production payments under the Northern Lights ORRI. There is no guarantee that a well will ever be drilled or produce from the Kitchen Lights Lease Area.

Furie, in the past, has not been able to timely complete all commitments under the prior plans of exploration, despite its on-going efforts. However, it has been successful in drilling wells in the Kitchen Lights Unit, and we believe that it will continue to meet its commitments or receive approval by the State of Alaska for additional amendments and extensions to the plans of exploration and operation.

Please contact us if you want more information about the current plans of exploration and operation in the Kitchen Lights Unit or the production platform, gas pipelines and onshore facilities. We also encourage you to visit the website of the Alaska Department of Natural Resources, Division of Oil and Gas, at www.dog.dnr.alaska.gov. and to visit Furie's website, at www.furiealaska.com.

Geology of Kitchen Lights Lease Area

The following information is derived primarily from reports by William M. Cobb & Associates, Inc. portions of which are included within this Memorandum as part of Exhibit C. The Kitchen Lights Lease Area is located on the central portion of a large northeast-southwest trending faulted anticline at Tyonek Deep and Hemlock levels, known as the North Cook Inlet Structure. The anticline is approximately twenty-three miles in length, three to six miles in width and is characterized by very pronounced, steep-sided domes at either end. The hydrocarbon trapping mechanism is both structural and stratigraphic in nature, relying on a combination of dip and fault closure and the stratigraphic thinning and pinch-out of the reservoir formations in a north-easterly direction. This combination structural-stratigraphic trap is very similar in form, and the principal reservoirs contained therein, are essentially identical in character and age to those encountered in other producing fields in this part of the basin. Notably, the northern dome of the North Cook Inlet Structure contains the ConocoPhillips Tyonek Deep oil field and there is strong technical support for a significant extension of this undeveloped oil field into the Kitchen Lights Lease Area. However, the Kitchen Lights Lease Area lies to the south of the North Cook Inlet Structure, and the presence of Tyonek Deep oil depends on the Tyonek Deep sands extending some distance south of the North Cook Inlet Structure. There is no assurance that the Tyonek Deep sands extend this far south and no assurance that oil in any formation underlies the Kitchen Lights Lease Area.

The oil and gas potential of the North Cook Inlet Structure has already been confirmed by numerous wells drilled on this prominent geological feature. The principal reservoir objectives occur at depths of 11,000 feet to 16,500 feet and frequently contain multiple pay intervals. A total of seventeen wells have been drilled to a sufficient depth to penetrate the Tyonek Deep reservoirs on the North Cook Inlet Structure and five of these were drilled deep enough to penetrate the Hemlock reservoirs. Fifteen of the seventeen Tyonek Deep well penetrations calculated productive based on a comprehensive petrophysical analysis of well logs and eight of these wells tested oil at initial rates of up to 3,600 barrels of oil per day per zone. All five of the Hemlock well penetrations calculated productive based on a similar comprehensive petrophysical analysis of the well logs and one of these wells tested oil at initial rates of up to 560 barrels of oil per day. Sustained production, however, is typically much lower than initial rates.

Alaska Department of Natural Resources Reserve Analysis

The Alaska Department of Natural Resources, Oil and Gas Division (ADNR), conducted an updated engineering evaluation of remaining Cook Inlet gas reserves in September 2015. The following is a brief summary of that evaluation. The Cook Inlet basin had produced 8,308 BCF of gas and 1.350 B bbls of oil as of December 31, 2014, with approximately 1,183 BCF of proved and probable remaining gas reserves. These volumes are quantified from production and surveillance data available from existing and previously producing wellbores as of that date. There has been continued concern over whether the existing system of natural gas production and delivery in the Cook Inlet basin can continue to meet the energy demands of south-central Alaska. The report addressed the remaining gas reserves in the Cook Inlet basin from a

reservoir engineering perspective. The economics of drilling additional wells, optimizing pipeline pressures, gas consumption predictions, and other sources of gas consumption were not included within the scope of the report.

Reservoir engineering principles were used to evaluate the volumes of gas remaining in existing fields within the Cook Inlet basin. The analyses contained within the report represent current estimates by Division of Oil and Gas staff, not the operators. Like the 2009 Division of Oil and Gas study "Preliminary Engineering and Geological Evaluation of Remaining Cook Inlet Gas Reserves", estimates are based on public data reported by the operators to the Alaska Oil and Gas Conservation Commission (AOGGC). The focus of the report was on applying petroleum engineering methods to production data to estimate the gas reserves remaining in existing fields.

In the report, reservoirs are defined as pools. All 34 currently or historically producing Cook Inlet gas fields, many of which contain multiple pools, were evaluated by applying both decline curve analysis and material balance engineering methods to the publicly available production and pressure data. Based on extrapolations of production trends, these engineering techniques were used to derive estimates of remaining reserves in two tranches, which are considered approximately equivalent to the proved and probable reserves categories. The petroleum engineering analysis allows the evaluation of remaining gas volumes at varying levels of production certainty and readiness. The total 1P (proved) reserves remaining to be produced from all existing fields in the Cook Inlet basin were estimated at approximately 711 BCF, including associated gas from oil production. This volume was identified by the base case decline curve analyses and assumes sufficient investment to maintain existing wells and their established production trends. Additional probable reserves that would be recoverable by mitigating well problems and increasing investment in existing fields were estimated at approximately 472 BCF, for a total of 1,183 BCF 2P (proved + probable) reserves remaining in existing fields basin-wide. This volume is identified as a pool-by-pool difference in the results of both material balance calculations versus base case and upside decline curve analyses, and the addition of recompletions in previously producing wells using the upside decline curve analysis. The study did not address prospective (undiscovered) or contingent (discovered, non-producing) resources, nor did the engineering methods quantify 3P (proved + probable + possible) reserves. The division's estimates may be updated as additional production and reservoir pressure data become available and as recent discoveries are developed and brought into production.

Demand in Alaska

The natural gas produced in Cook Inlet is the primary source of energy and heat for the majority of Alaska's population. According to the Alaska Department of Natural Resources, south-central Alaska has relied on production from Cook Inlet gas fields to meet demand for electrical power generation, heating, and industrial use since commercial production increased abruptly in the late 1960s. After fully supplying the needs of the region for more than 50 years, until the recent discovery by Furie, it was considered unlikely that the Cook Inlet gas fields would continue to be the only natural gas source needed to meet south-central Alaska's long term demand requirements. Reserves had been declining for many years and exploration had not kept pace with demand. The recent discovery by Furie, and the anticipated production from its development activities as well as those of other producers in the Cook Inlet, has changed this analysis. We believe that Furie will be able to sell all the gas it can produce from existing and planned wells under its current contracts. We are not able at this time to evaluate long term demand for Cook Inlet gas, although we understand that the state of Alaska is considering new tax credits [in an era of declining support for tax credits] to reopen the Agrium facility at Nikiski, which might significantly increase demand in the Cook Inlet.

Report by William M. Cobb & Associates, Inc.

EXHIBIT C CONTAINS EXCERPTS FROM COBB REPORTS, INCLUDING THE MOST RECENT REPORT DATED JUNE 9, 2015. PLEASE CONTACT US IF YOU WANT TO SEE COPIES OF ALL THE COBB REPORTS. WE MAY ASK THAT YOU EXECUTE A CONFIDENTIALITY AGREEMENT.

William M. Cobb & Associates, Inc. (Cobb) was originally engaged to evaluate the reserves for the leases in the Kitchen Lights Lease Area held by Prodigy Alaska and affiliates in September 2004. The probabilistic evaluation incorporated the results of an interpretation of seven hundred miles of seismic data licensed from Veritas/Seitel and a detailed petrophysical evaluation carried out by Cobb of seventeen wells drilled to a sufficient depth to penetrate part or all of the Tyonek Deep or Hemlock Formations on the North Cook Inlet Structure. The estimated gross potentially recoverable reserves and the net cash flows attributable to the Prodigy Alaska group's interests in the Kitchen Lights Lease Area were re-stated by Cobb in March 2005, taking into consideration more current market conditions for oil and gas.

In January 2013, Cobb prepared an estimate of the value of a 3.75% overriding royalty interest held by ProAK Royalties and its affiliates, in the leases contained within the Kitchen Lights Unit. The estimate was based on the 2004 report, adjusted for then current exploration plans and current oil and gas prices. Based on this 2013 estimate by Cobb, ProAK estimated that the value of a 1% Northern Lights ORRI in 2013 was approximately $9 million. This would mean that the overriding royalty interests in the Kitchen Lights Lease Area owned by ProAK Royalties was estimated to be potentially worth close to $24 million. We provided this estimate to all the ProAK Royalties partners in 2013 in connection with a vote to authorize a sale of the Northern Lights ORRI by ProAK Royalties. However, we were not able to find potential acquirers with sufficient interest that we could negotiate a sale to them. In June 2013, when the estimate was prepared, the west coast price for Alaska North Slope crude was averaging over $100 a barrel, and the average Cook Inlet gas price was approximately $5.50 mcf. The price of Alaska North Slope crude has declined and recently has averaged between $42 and $50 a barrel, while the Cook Inlet gas prices are averaging over $6 mcf.

In the second quarter of 2015, Cobb updated its estimate of the reserves attributable to the Northern Lights ORRI held by ProAK Royalties (although it did not change assumed prices). Based on this updated reserve estimate, the value of anticipated future production from the 2.65% Northern Lights ORRI held by ProAK Royalties, over approximately 34 ½ estimated years of production, discounted to a present value at a discount rate of 10%, was estimated to be approximately $38.2 million, if oil is assumed to be priced at $60 a barrel, to up to approximately $62.7 million, if oil is assumed to be priced at $100 a barrel. In both cases, gas is assumed to be priced at $6 mcf. However, the decline rate in Cook Inlet wells ranges as high as 16% to 17%, so the actual productive life may not be as long as the estimated 34 ½ years. We presented this revised estimate to the partners of ProAK Royalties in June 2015, and they authorized a sale of approximately 2.65% of overriding royalties in the Kitchen Lights Lease Area at not less than $13,200,000 to Northern Lights Royalties LP. The sale was concluded in September 2016.

We have not obtained an updated reserve estimate from Cobb since June 2015. Under the 2015 estimate, the 0.50% Northern Lights ORRI we seek to acquire is potentially worth approximately $7.191 million if oil is priced at $60 a barrel, and $11.798 million if oil is priced at $100 a barrel. Since the Cobb estimate, the price of Alaska North Slope oil (the nearest comparable pricing) has declined from approximately $65 per barrel to approximately $48 per barrel, an approximate 20% drop. In addition, a newly announced discovery of 6 billion barrels of light oil in the Smith Bay development of the North Slope could further depress Alaska North Slope prices or lead to little increase in prices in the near future. Therefore, the 2015 estimate may be higher than an estimate updated to 2016. However, the 2015 estimate assumed level oil prices for the 34 ½ year life of the estimated reserves. It is not likely that oil prices will remain level for such a long period of time. We believe, in addition, that the activities of Furie, including the drilling of the KLU #9 well, will result in significant reserves in the Kitchen Lights Lease Area being reclassified from "probable" to "proved," which would increase the estimated value. We can give no assurance, however, as to the fair market value, or the future value, of the Northern Lights ORRI.

Reserve reports such as the Cobb estimate do not provide an assessment of the fair market value of reserves, i.e. what a willing buyer would pay a willing seller, each under no compulsion to buy or sell. In addition, the Cobb estimate did not include estimates for proved reserves, as there were no proved reserves associated with the Kitchen Lights Lease Area. The completion of a producing well in the Kitchen Lights Lease Area would result in some reserves being reclassified as proved rather than probable. A typical reserve report will generally include different categories of reserves, including proved developed producing reserves, proved developed non-producing reserves, proved undeveloped reserves, probable reserves and

possible reserves. Generally, proved reserves, including those that are producing and those that can reasonably be expected to produce as they are developed, are given the most weight. Proved reserves are those volumes of oil and natural gas that geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. Probable reserves are oil and gas reserves that are more likely than not to be recovered, particularly after advances in technology or increases in oil and gas prices which might make such production economically feasible. Possible reserves are reserves that have a very low degree of certainty that they will be produced.

The reserves described in the report are estimates based on engineering and geological judgment. There are numerous uncertainties involved in the estimation of oil and gas reserves. In addition, unlike other reserve reports, there are no proved reserves in the Kitchen Lights Lease Area because production of oil or gas on a sustained basis has not occurred. Therefore, in addition to the normal uncertainties involved in an oil and gas reserve estimate, the reserve estimate in the Cobb report is subject to additional contingencies regarding the timing of exploration drilling and development, and the potential (although remote) for forfeiture of the underlying leases if exploration and development commitments to the State of Alaska are not met. Any reserve estimate should not be considered a representation of fair market value or any other commonly recognized measure of investment value.

Our purchase price for the Northern Lights ORRI

We have determined our purchase price based primarily on plans the operator has announced for development of the North Block, as well as the history of development and production by this operator in recent years. We have also considered ProAK's determination of the price at which it would be willing to sell these royalty interests. **This determination is not a statement or guarantee of the fair market value of the Northern Lights ORRI.**

While this price is significantly higher than the price our affiliate Northern Lights Royalties LP paid in September, that price was determined at the beginning of its offering in July 2015. Since then, Furie has completed two wells and has received approval to drill the KLU #9 well in the Kitchen Lights Lease Area. If that well is successfully drilled and completed in 2018, as tentatively planned, the reserves underlying the Northern Lights ORRI should be reclassified from probable reserves to proved reserves, which should increase the value of these reserves, and of the Northern Lights ORRI. In addition, the operator has announced plans to drill deeper wells to search for oil in lower formations. Knowledgeable sellers with experience in both oil and gas and in the Cook Inlet have in the past sold or agreed to sell their overriding royalty interests for significantly less than our proposed price. However, such persons may have other reasons for agreeing to a sale, including the certainty of a significant profit from the amount they originally invested or their desire to raise cash.

Mr. Bartholomae and ProAK have sold overriding royalty interests in the same leases in the Kitchen Lights Lease Area within the last two years for prices that imply a market value ranging from approximately $2.1 million to $2.5 million for the 0.50% Northern Lights ORRI we are attempting to purchase. However, further development activity has taken place in the Kitchen Lights Lease Area and we believe that such activity has significantly increased the value of the Northern Lights ORRI.

Mr. Bartholomae and ProAK have also purchased overriding royalty interests in the same leases in the Kitchen Lights Lease Area within the last three years. The purchases were also at significantly lower prices [proportionately] than the price the Partnership will pay for the royalty interests. Several sellers originally acquired the royalty interests at the same time as Mr. Bartholomae, and were content to take a profit and sell a portion of their royalty interest. In some cases the sellers set the prices they wanted or were strongly motivated to sell the royalty interests, and Mr. Bartholomae and ProAK were able to purchase these small royalty interests at significantly less [proportionally] than the price at which the Partnership will purchase the Northern Lights ORRI.

Assets of the Partnership. As the Partnership is newly-formed, it has no assets and minimal liabilities. Our assets will be derived from the proceeds raised in this offering. We will acquire royalty interests using the capital raised in this offering. We will not reinvest any of the cash flow from oil and gas production payments or from asset sales in new royalty interests.

Manager of the Partnership. ProAK will be the sole general partner and the Managing Partner of the Partnership. Mr. Shawn Bartholomae is the sole manager of ProAK and will manage the day-to-day operations of the Partnership. Our performance in this Partnership is likely to differ from our performance in prior drilling partnerships as this Partnership has a significantly different investment strategy. The comparable prior history in ProAK Royalties is explained elsewhere in this Memorandum. If the sale to this Partnership is not completed, we anticipate that ProAK Royalties will continue efforts to sell the Northern Lights ORRI due to the length of time the partners have held that investment.

Managing Partner Compensation

Net Distribution Interest. ProAK will have the right to receive 15% of each distribution by the Partnership. This Net Distribution Interest will not share in losses or expenses, and will not be subject to capital calls or required to provide additional capital or financial support to the Partnership.

Management Fee. The Partnership will pay the Managing Partner a management fee, which will be billed annually to the Investor Partners.

Third Party Expenses. All Third Party Expenses relating to the acquisition, operation, management and disposition of the Partnership's assets will be paid by the Partnership directly or through reimbursement of the Managing Partner or its affiliates. Third Party Expenses include all fees and expenses actually and necessarily incurred by the Partnership or by the Managing Partner on behalf of the Partnership for services rendered by non-affiliated parties in connection with the operation of the Partnership, other than those characterized as Organization and Offering Expenses or Royalty Interest Acquisition Costs. Third Party Expenses shall not include any portion of the expense for office facilities used by, or provided by the Managing Partner to, the Partnership, and shall not include any compensation to personnel of the Managing Partner or its Affiliates for services rendered to the Partnership.

Oil and Natural Gas Business

The Partnership will invest in the oil and gas industry, which is generally subject to price volatility, intense competition and extensive government regulation. These and other concerns relating to the Partnership's anticipated operations are described below, and in the "Risk Factors" section of this Memorandum.

Price Volatility. The revenues generated by the Partnership's royalty interests will be highly dependent upon the prices of, and demand for, oil and natural gas. Prices for oil and gas have been volatile, experiencing sharp increases and decreases over the prior decade. Volatile prices may reduce the amount we receive for production of oil or gas and lengthen the time to achieve a desired return. Numerous factors create volatile prices for oil and gas. Oil and natural gas prices may fluctuate significantly in response to changes in supply, seasonal demand, market uncertainty, political conditions in oil-producing countries, activities of oil-producing countries to limit or increase production, global economic conditions, government regulations, weather conditions, competition from other sources of energy and other factors that are beyond our control. From time to time, a surplus of oil and gas occurs in areas of North America. The effect of a surplus may be to reduce the price we receive for production or to reduce the amount of production. The prices for domestic oil and natural gas may decline. All of these factors are beyond our control.

Although the Partnership may enter into hedging or commodity derivative arrangements from time to time to reduce its exposure to price risks in the sale of oil and natural gas, substantially all of the Partnership's production will remain subject to oil and natural gas price fluctuations.

Supply and Demand. Various factors beyond our control will affect the supply of and demand for oil and gas, including the worldwide supply of oil and gas, activities of oil or gas producers, political instability or armed conflict in oil-producing regions, the price of foreign imports, levels of consumer demand, availability of production platforms and pipeline capacity, and changes in governmental regulations. Any assumptions concerning future supply or demand may prove incorrect. Changes in supply or demand may reduce prices for oil and gas, and in turn reduce the value of our royalty interests. In recent years, exploration companies have successfully developed sand and shale formations. As a result, there is currently an excess supply of natural gas, which has caused the price of natural gas to decline. Due to leasing arrangements that require operators to continue drilling operations despite the surplus, more natural gas is being produced than is able to be sold. The price of natural gas may decline further.

North America, including Alaska, is generally experiencing an increase in estimated reserves of oil and natural gas. The rate at which reserves are being discovered and proven has also increased. While increased reserves can be beneficial for consumers and the economy, increased reserves may contribute to lower prices or price instability for oil and natural gas, and may discourage investment in drilling new wells. If overall reserves continue to increase, the value of our royalty interests may decline, and we may experience reduced or no cash flow.

Competition

The oil and natural gas industry is highly competitive. Our direct competitors may be able to locate, evaluate, bid for and purchase a greater number of mineral interests than we will be able to, or to negotiate better terms for our investment than we have negotiated, given our financial and human resources. The operator will drill wells on locations where they already own drilling rights so it is not likely that the competition faced by the operator will directly affect its ability to develop the Kitchen Lights Unit. However, the operator will encounter competition from other oil and natural gas companies in all areas of its operations, which might make it more difficult for it to obtain drilling expertise or equipment or to sell production. Its competitors will likely include major integrated oil and natural gas companies and numerous independent oil and natural gas companies, individuals, and drilling and income programs. Many of the competitors are large, well-established companies with substantial operating staffs and significant capital resources and which have been engaged in the oil and natural gas business for a longer time than the operator. In addition, the operator's competitors may be able to expend greater resources on the existing and changing technologies that we believe are and will be increasingly important to the current and future success of oil and natural gas companies. An energy exploration company, Caelus Energy, LLC, recently announced a major oil discovery in the North Slope of Alaska. Drilling in the North Slope is, if anything, even more difficult than drilling in Cook Inlet, so we anticipate that it will be a number of years before wells are drilled and completed there and infrastructure to transport the oil is developed. Once this newly discovered field is on-line, it could impact the prices for Alaska North Slope crude, but we are not able to predict whether or to what extent the impact will affect the market for Cook Inlet oil. We anticipate that it would not impact the market for gas produced in the Cook Inlet. Competition may also be presented by alternative fuel sources, including heating oil and other fossil fuels.

Governmental Regulation

General. Various aspects of the oil and natural gas operations are subject to extensive and continually changing regulation, as legislation affecting the oil and natural gas industry is under constant review for amendment or expansion. Numerous authorities are authorized to issue, and have issued, rules and regulations binding upon the oil and natural gas industry and its individual members. The failure to comply with such rules and regulations can result in substantial penalties. These regulations have an impact on all participants in the oil and natural gas industry. We do not believe that the Partnership or the operator will be affected by regulation in a significantly different manner than competitors in the oil and natural gas industry. While sales by producers of natural gas and all sales of crude oil, condensate and natural gas liquids can currently be made at uncontrolled market prices, price controls could be imposed in the future.

Regulation of Sales and Transportation of Natural Gas. Sales of natural gas are affected by the availability, terms and cost of transportation. The sale of production from the Northern Lights ORRI will require a significant capital investment and time to construct a production platform. The operator must also receive approvals from various local, state and federal agencies before it can construct a platform. There is no assurance that the operator will receive the necessary approvals or that it will receive them on a timely basis.

Environmental. The operator is subject to extensive laws and regulations regulating the discharge of pollutants into the environment or otherwise relating to the protection of the environment governing oil and natural gas operations. Its competitors are also subject to such laws and regulations. Companies that incur liability frequently are confronted with third-party claims, because it is not uncommon for neighboring landowners and other third parties to file claims for personal injury and property damage allegedly caused by hazardous substances or other pollutants released into the environment from a polluted site.

Other laws, rules and regulations may restrict the rate of oil and natural gas production below the rate that would otherwise exist or even prohibit exploration and production activities in sensitive areas. Environmental laws and regulations have been subject to frequent changes over the years, and the imposition of more stringent requirements could have a material adverse effect upon the operator and the Partnership.

Operating Hazards and Insurance

The oil and natural gas business involves a variety of operating risks, including the risk of fire, explosion, blowout, pipe failure, casing collapse, unusual or unexpected formation pressures and environmental hazards such as oil spills, gas leaks, ruptures and discharges of toxic gases, the occurrence of any of which could result in substantial losses to the Partnership due to severe damage to or destruction of a well.

Title to Royalty Interests

We will acquire the Northern Lights ORRI in existing leases and licenses. While management has been involved in owning the Northern Lights ORRI since the initial award of the leases from the State of Alaska, the leases may be subject to defects for reasons we are not aware of, such as failure to comply with requirements of other regulatory agencies, including the Environmental Protection Agency. The leases and licenses also may be subject to other royalty interests, liens incident to operating agreements, liens for current taxes and other burdens, including other mineral encumbrances and restrictions customary in the oil and gas industry that we believe should not materially interfere with the use of or affect the value of the Northern Lights ORRI.

Sale of the Northern Lights ORRI

We do not have any present plans or timetable for selling any royalty interests before the liquidation of the Partnership, although assets may be sold at any time after acquisition by the Partnership. There can be no assurance that the Partnership will not produce ordinary income on the sale of assets.

PLEASE SEE EXHIBIT C FOR ADDITIONAL INFORMATION ABOUT THE KITCHEN LIGHTS LEASE AREA.

USE OF PROCEEDS

The table below sets forth information concerning the estimated use of proceeds of the offering. The gross proceeds from the sale of Partnership Interests will be $5,900,000 if all of the Partnership Interests are sold. We show the estimated use of proceeds assuming that all sales in the offering are made through the Managing Partner, who is not paid sales commissions or due diligence fees in connection with such sales, although we may make sales through registered broker-dealers where sales commissions and/or due diligence fees are paid. Sales commissions and/or due diligence fees, if any, will be paid by the Managing Partner, and will reduce the amount of net proceeds it retains from the proceeds in the offering.

USE OF PROCEEDS FROM THE INVESTORS[1]	**Offering at $5,900,000[2]**	**Percent**
Gross Offering Proceeds	$5,900,000	100.00%
Less Offering Expenses		
Administration Fee[3]	($590,000)	(10.00%)
Organization and Offering Expenses[4]	($295,000)	(5.00%)
Purchase of Northern Lights ORRI[5]	$5,015,000	85.00%

(1) This table sets out our estimated use of proceeds for purposes of informing potential investors about the anticipated use of offering proceeds. This table does not address the allocation for federal income tax purposes of the amount paid by an investor for its Partnership Interest.

(2) The offering at $5,900,000 assumes that the Partnership sells $5,900,000 of Partnership Interests. If the Partnership raises less than $5,900,000 in the offering, the Managing Partner shall have the right to waive part or all of the non-accountable payments to it, cause the Partnership to incur debt, and/or purchase less than all the Northern Lights ORRI or purchase similar overriding royalty interests from affiliates or others. The Partnership shall be obligated to pay the amount of any fixed, non-accountable payments waived by the Managing Partner to the Managing Partner from future revenues, including proceeds of asset sales and production payments.

(3) We will pay the Managing Partner a fixed, non-accountable fee of 10.00% of the gross amount of subscription proceeds in the offering, as compensation for administering the offering and the Partnership, and in reimbursement of expenses previously incurred and anticipated to be incurred by the Managing Partner on behalf of the Partnership. To the extent that this non-accountable payment exceeds the actual internal and external expenses incurred by the Managing Partner, any excess should be considered compensation to the Managing Partner. The Managing Partner may, in its discretion, accept purchases of Partnership Interests net (or partially net) of such expenses or other fees or reimbursements. See "Terms of the Offering."

(4) We will pay the Managing Partner or its affiliates a fixed, non-accountable fee of 5.00% of the gross amount of subscription proceeds in the offering, for Organization and Offering Expenses. To the extent that the actual expenses incurred by the Managing Partner and its affiliates for Organization and Offering Expenses are less than the non-accountable payments to the Managing Partner, any excess should be considered additional compensation to the Managing Partner. The Managing Partner will be responsible for any Organization and Offering Expenses that exceed this amount. We may make sales through registered broker-dealers where sales commissions and/or due diligence fees are paid. Sales commissions and/or due diligence fees, if any, will be paid by the Managing Partner out of the non-accountable payment of Organization and Offering Expenses. The Managing Partner may, in its discretion, accept purchases of Partnership Interests net (or partially net) of such expenses or other fees or reimbursements. See "Terms of the Offering."

(5) We will pay net proceeds up to $5,015,000 to ProAK or Shawn Bartholomae or to other parties to acquire the Northern Lights ORRI, assuming that the offering is not increased. If the offering is increased, we will pay 85% of those net proceeds to other parties to acquire the Northern Lights ORRI. We will acquire only that portion of the Northern Lights ORRI which we raise sufficient funds to purchase.

MANAGEMENT

The Managing Partner was formed in April 2007. The Managing Partner is managed and owned by Shawn Bartholomae.

Shawn E. Bartholomae. Mr. Bartholomae is the Manager and sole member of ProAK, LLC. He also holds management positions and direct or indirect ownership interests in numerous other entities that are engaged in oil and gas exploration and development. Mr. Bartholomae attended the University of Texas at El Paso where he majored in business management. His experience lies in the fields of investment counseling in the energy industry and in the marketing of financial products dealing with oil and gas production. From March 1983 through March 1985, Mr. Bartholomae was employed by Teleco, Carrollton, Texas, a telecommunications company and from March 1985 through October 1988, by Business Tele Systems, Addison, Texas, also a telecommunications company. In October 1988, he joined Reef Exploration, Inc., Dallas, Texas in its sales department where he remained until March 1993. From March 1993 through July 1997, he was employed by Western American Securities, Inc., Richardson, Texas, a securities broker-dealer affiliated with Reef Exploration, Inc. where he was a Senior Vice-President and registered representative at the time of his departure in July 1997. In July 1997, Mr. Bartholomae became an officer and shareholder of Prodigy Exploration, Inc., which was formed to sponsor oil and gas drilling programs. After the formation of American Landmark Securities, Inc. by his father in 1997, Mr. Bartholomae also became a registered representative with the firm, thereafter terminating his registration with that firm in October 2007. In January 2001, Mr. Bartholomae founded Prodigy Oil & Gas, LLC, which sponsored oil and gas drilling programs until 2010. Mr. Bartholomae was also a founder of Silver Tusk Oil Company, LLC which was formed in February 2009, and is currently the Chief Executive Officer of Black Lava Resources, LLC, formed in October 2010 to sponsor and participate in oil and gas drilling programs. Information concerning drilling programs recently sponsored by Silver Tusk Oil Company, LLC, Prodigy Oil & Gas, LLC, Prodigy Exploration, Inc. and Black Lava Resources, LLC can be obtained upon request to the Managing Partner. See "Legal Proceedings."

DESCRIPTION OF THE SECURITIES

The Partnership is offering Partnership Interests in a Texas limited partnership. Persons whose subscriptions are accepted in the offering will become limited partners in the Partnership. We sometimes refer to limited partners admitted in the offering as Investor Partners. The Partnership is a tax flow-through entity, which means that all profits and losses are allocated to the partners, who report these items as part of their personal tax returns and pay taxes on their share of profits. Generally, allocations to the partners are intended to give effect to the rights of the partners in distributions made by the Partnership. The Partnership retains the right to issue additional Partnership Interests from time to time in connection with any unpaid Capital Call or upon the consent of a Majority-in-Interest.

The Partnership Interests have not been registered under the U.S. federal Securities Act of 1933 or under the securities laws of any state or other jurisdiction, and may not be transferred unless and until registered under such act and laws or the Partnership has received an opinion of counsel in form and substance satisfactory to the Partnership, that such transfer is in compliance therewith. The Managing Partner may waive the requirement for an opinion of counsel in its discretion. No transfer shall be made which, in the opinion of counsel to the Partnership, would (i) result in the Partnership being considered to have been terminated for purposes of Section 708 of the Code; (ii) would not satisfy any applicable safe harbor under the Regulations from "publicly traded partnership" status; (iii) would result in the assets of the Partnership being considered plan assets for purposes of the Employee Retirement Income Security Act; (iv) would require the Partnership to register as an investment company under the Investment Company Act of 1940; or (v) would otherwise result in materially adverse tax consequences to the Partnership or the partners. The Partnership may require a partner desiring to transfer its Partnership Interest to provide an opinion of counsel in form and substance satisfactory to the Partnership that such transaction would not result in the Partnership being considered terminated under the Code and Regulations. The transferee shall provide to the Managing Partner the transferee's taxpayer identification number and related information of any natural person transferee or control person of any transferee, and any other information reasonably necessary to permit the Partnership to file required tax returns. The transferee shall provide appropriate identifying information regarding itself or any

control person and any other information required by the Managing Partner to comply with any currency transaction laws, financial privacy laws, anti-money laundering laws or similar laws.

SUMMARY OF PARTNERSHIP AGREEMENT

The Partnership Interests are governed by the Partnership's Certificate of Formation, the Partnership Agreement and applicable provisions of the Texas Business Organizations Code. The Partnership Agreement governs the relationship between the Partnership and each partner, among the partners of the Partnership, and between the partners and the Managing Partner.

The following is a summary of certain provisions of the Partnership Agreement. The Partnership Agreement is attached to this Memorandum as Exhibit A. You should thoroughly review the Partnership Agreement before making a decision to invest in the Partnership.

The Liability of Partners. Under the Partnership Agreement and Texas law, the liability of each partner is limited to the amount of the partner's Capital Contributions, plus any increase in value of the partner's Capital Account. A partner may, however, be liable to persons who transact business with the Partnership reasonably believing, based on such partner's conduct, that the partner is a Managing Partner of the Partnership or has the authority to bind the Partnership. A Partnership may not make a distribution to a partner if, immediately after making such distribution, all liabilities of the Partnership, other than liabilities to partners and liabilities to creditors whose recourse is limited to specific Partnership property, exceed the assets of the Partnership. A partner shall not be required to return such distribution to the Partnership, however, if at the time such distribution was made the partner did not know that Partnership liabilities exceeded Partnership assets.

Managing Partner. ProAK will be the Managing Partner of the Partnership. The Managing Partner has broad authority to manage the business and affairs of the Partnership. The Managing Partner may resign only after two years and upon identifying a successor person who is competent and willing to serve as Managing Partner, subject to the consent of a Majority-in-Interest. The resignation of a Managing Partner as a Managing Partner shall not affect such person's rights as a partner, or to distributions, or to indemnification and shall not constitute a withdrawal of such person as a partner or an Event of Withdrawal as to such person.

Any Managing Partner may be removed by the consent of a Majority-in-Interest upon the occurrence of an Event of Withdrawal of the Managing Partner. A Managing Partner otherwise may be removed as a Managing Partner only upon the consent of Investor Partners holding at least two-thirds of the Partnership Interests and only after the Managing Partner has received a notice from at least two other partners stating the events or actions prompting an attempt to remove and giving the Managing Partner an opportunity to cure events or actions. The removal of a person as a Managing Partner shall not affect the person's rights as a partner, or to distributions, or to indemnification and shall not constitute a withdrawal by such person as a partner or a separate Event of Withdrawal as to such person.

The Partnership Agreement provides that the Managing Partner shall not be liable to the Partnership or to any partner for any loss or damage sustained by the Partnership or any partner except loss or damage resulting from its intentional misconduct or its knowing violation of law or a transaction for which the Managing Partner received a personal benefit in violation or breach of the provisions of the Partnership Agreement. The Managing Partner is not liable if it acts negligently. The Managing Partner is not required to devote its full time to the management of the Partnership. Each of the Managing Partner and its affiliates may have other business interests and may engage in other activities in addition to those relating to the Partnership, including activities that compete with the activities of the Partnership. The Managing Partner may invest in or manage other entities engaged in the oil and gas industry. Partners of the Partnership shall not have any right to share in profits derived from other activities of the Managing Partner merely because they own a Partnership Interest in the Partnership. Partners who have questions concerning the duties of the Managing Partner should consult their own counsel.

The Managing Partner is entitled to be indemnified for any loss or expenses incurred in connection with its management of the Partnership or its activities on behalf of the Partnership.

Compensation and Reimbursement of Managing Partner. The Partnership will pay the Managing Partner or its affiliates a fixed, non-accountable fees equating to fifteen percent (15%) of proceeds of the initial offering of Partnership Interests. To the extent such payments exceed the actual amount of expenses incurred by the Managing Partner and its affiliates, the excess should be considered compensation to the Managing Partner.

The Partnership will pay or reimburse the Managing Partner or its affiliates for all Third Party Expenses incurred in the operations of the Partnership. The Managing Partner will pay, and not be reimbursed for, all expenses for office facilities used by the Partnership and all compensation to personnel of the Managing Partner or its affiliates for services rendered to the Partnership, including any placement agent fees and services.

The Managing Partner will be entitled to an annual management fee of $60,000, unless a higher management fee is approved by a Majority-In-Interest at any time after the conclusion of the initial offering of Partnership Interests. The Partnership shall make a special allocation to the Managing Partner for the management fee and shall pay the amount of the management fee in arrears within 15 days after the end of each fiscal year. Any management fee will not include Third Party Expenses, which will be paid by the Partnership in the normal course of business.

In addition, ProAK or its assigns will share in distributions to the partners in proportion to its 15% Net Distribution Interest.

Capital Contributions. Each Investor Partner who invests through this offering shall make an initial Capital Contribution in the amount and at the time provided in this Memorandum. Each Investor Partner who invests following the initial offering of Partnership Interests shall make an initial Capital Contribution as provided in the Partnership Agreement. Capital Contributions are not required to be proportionate to Partnership Interests.

Capital Calls. The Managing Partner anticipates that it will make capital calls on the Investor Partners in proportion to Partnership Interests held from time to time for payment of the management fee and Third Party Expenses incurred by the Partnership. The 15% Net Distribution Interest held by ProAK and its assigns will not be subject to a capital call. If you fail to timely pay a Capital Call, the unpaid amount of any Capital Call shall bear interest at an annual rate of 18% from the date due until paid, and the Partnership shall have the right to offset the entire amount of unpaid Capital Calls and any accrued interest thereon against any distribution otherwise due to you. If you fail to timely pay three or more Capital Calls, whether or not such defaults are as to successive Capital Calls, the Managing Partner, in its discretion, may, but shall not be obligated to, declare your entire Partnership Interest forfeited to the Partnership, to be reallocated among the remaining Investor Partners in proportion to their Partnership Interest, or the Managing Partner, in its discretion, may, but shall not be obligated to, cause your entire Partnership Interest to be redeemed for the amount of any unpaid Capital Calls and accrued interest thereon, offset such amount against any unpaid Capital Calls and accrued interest thereon or other liabilities owed by you to the Partnership, and thereafter offer such redeemed Partnership Interest to any other Investor Partner or third party for such price and on such terms as the Managing Partner shall determine in its sole discretion. The Managing Partner is specifically authorized to use revenues of the Partnership for payment of the management fee and Third Party Expenses in lieu of or in addition to making any Capital Call. The Managing Partner may delay payment of a Capital Call as to any Investor Partner without being required to delay payment regarding any other Investor Partner.

Allocations. Generally, allocations of profits to the partners are intended to give effect to the rights of the partners in distributions made by the Partnership. The Net Distribution Interest of ProAK and its assigns will not share in allocations of losses or deductions. The Managing Partner has the right to use revenues of the Partnership, whether or not allocated to the Capital Accounts of the partners, to pay the management fee and Third Party Expenses.

Distributions. It is our intention to make monthly distributions from the net income received by the Partnership if or when the Partnership begins to receive production payments. If the Managing Partner determines that funds are available for a monthly distribution, such distribution shall be made to the partners as soon as practical after the end of such month. Distributions to partners will not be made from the proceeds of

this offering, nor from proceeds of any debt. The Managing Partner is specifically authorized to retain cash reserves to pay anticipated Partnership expenses and liabilities. There is no assurance that the Partnership will be able to make distributions of cash in any given amount or at any given time.

Power to Borrow. The Managing Partner may arrange for the Partnership to borrow funds from time-to-time, which borrowings may be secured by interests in the Partnership assets, and shall be subject to the limits set out here. Any Partnership borrowings shall be without recourse to the partners except as otherwise specifically agreed to by a partner as to each borrowing. The Partnership may not borrow an aggregate amount exceeding the lesser of 20% of Capital Contributions or $1,200,000 at any one time, without the consent of a Majority-in-Interest.

Transfers of Partnership Interest. A partner shall not have the right to transfer a Partnership Interest without the prior consent of the Managing Partner, with the exception of certain affiliate or estate planning transactions. The Managing Partner may withhold consent to a transfer in its discretion, and will withhold consent if any proposed transfer would result in a violation of or loss of exemption under applicable securities laws or commodities trading laws, or would result in adverse tax consequences to the Partnership or the partners or would result in the assets of the Partnership becoming subject to the Employee Retirement Income Security Act. A transferee of a partner's interest in the Partnership will be substituted as a partner entitled to all the rights of a partner, if and only if the Managing Partner consents to such substitution, the transferee pays to the Partnership all costs and expenses incurred in connection with such transfer and the transferee agrees to be bound by the Partnership Agreement. Transfer of a Partnership Interest by operation of law will resolve in the transferee having the rights of an assignee who has not been admitted as a partner, which includes the right to receive allocations to the Capital Account, and distributions with respect to such Partnership Interest, but not the right to vote or otherwise participate in the affairs of the Partnership, unless the transferee is then admitted as a partner.

Transfer on Death. A limited partner may establish a transfer on death registration, and designate a beneficiary to receive the limited partner's Partnership Interest upon the death of the last surviving co-owner of the Partnership Interest, by completing a Transfer on Death Registration form, which we will provide upon request. Any transfer is subject to the provisions of the Transfer on Death Registration form and to applicable state laws. Some states do not recognize such transfers for decedents residing in the state.

Votes of Partners. The partners will vote by written or electronic consents. The partners shall have only those voting rights specifically provided by the Partnership Agreement and will vote by the percentage Partnership Interest held. The partners shall have the right to approve or disapprove: (a) the Partnership engaging in any significant activity other than those described in the Partnership Agreement; (b) terms for additional Partnership Interests; (c) the creation of additional Partnership Interests or of any other class or series of Partnership Interests; (d) the incurring of debt, liabilities or settlements in excess of certain levels; (e) the election of a new managing partner upon the resignation of the Managing Partner or the removal of the Managing Partner; (f) any sale, exchange or other disposition of any asset having a book value equal to 10% or more of aggregate Capital Contributions to an affiliate of the Managing Partner; (g) any sale, exchange or other disposition of any asset having a book value equal to 50% or more of aggregate Capital Contributions to a third party; (h) the conversion of the Partnership into another form of entity or the merger or consolidation of the Partnership whether or not the Partnership is the surviving entity; (i) the dissolution of the Partnership; or (j) any amendment to section 13.14 of the Partnership Agreement.

Withdrawal of a Partner. A limited partner may withdraw as a partner at any time, and thereafter shall have the rights of a transferee of a Partnership Interest who has not been admitted as a partner. A partner who is subject to an Event of Withdrawal shall cease to be a partner as of the date of the Event of Withdrawal and shall thereafter have the rights of a transferee of a Partnership Interest who is not admitted as a partner. Any partner who withdraws or is subject to an Event of Withdrawal may request that the Partnership redeem the Partnership Interest of such partner, or the Managing Partner may at its discretion determine to redeem such Partnership Interest, at any time after the Partnership has received regular monthly payments from production for at least one year, for the amount of the purchase price for a Partnership Interest subject to redemption. The purchase price may be paid in quarterly installments over a period not to exceed 12 calendar months, with interest at the Texas judgment rate.

Redemption of Partnership Interest. At any time after the Partnership has begun receiving regular monthly payments from production, you may request redemption of all or a portion of your Partnership Interest. The redemption price shall be (i) six times the Net Cash Flow of the Partnership for the preceding twelve months, (ii) multiplied by the percentage Partnership Interest redeemed. Redemptions will be made at the discretion of the Managing Partner. The Managing Partner may adjust the Net Cash Flow for the twelve months immediately preceding the date of the request for redemption or the withdrawal or Event of Withdrawal for any unusual prior or projected circumstances on any basis the Managing Partner deems appropriate, in its discretion. No more than 5% of the total Partnership Interests may be redeemed in the aggregate in a single calendar year. Requests for redemption in connection with the death, disability, divorce or bankruptcy of a partner shall be given priority. Other requests for redemption shall be given priority based on the day and time during the day on which the request for redemption was actually received by the Managing Partner. Any payment in redemption shall be subject to the Net Distribution Interest provisions of the Partnership Agreement. Investors should be aware that the redemption price may be less, potentially significantly less, than their initial Capital Contribution, and that they could lose part or a significant portion of their investment upon redemption.

Right of First Refusal. Any partner who wants to transfer all or part of its Partnership Interest to a person or entity other than one of the other partners, for any reason other than a transfer by operation of law, shall first notify the Managing Partner in writing of its intention to transfer, stating the name and address of the proposed transferee, the amount of Partnership Interest proposed to be transferred, the consideration proposed to be received therefore, and the proposed terms of the transfer. The Managing Partner shall have the right to arrange the purchase of the Partnership Interest by the Partnership or other Partners for the proposed consideration within thirty (30) days after the receipt of such written notice. If the Partnership Interest is not so purchased during the next succeeding 90-day period, the partner may then transfer such Partnership Interest to the person and at the price and terms stated in the offer.

Information about Partners. The Partnership shall not be required to provide the name, address or other identifying personal or financial information about a partner, or any information about the Partnership Interest of any partner, to any person who is not a partner unless such information is validly subpoenaed or requested by a governmental agency having jurisdiction over the Partnership. If at any time the Partnership agrees, or is required, to provide any information about partners or their Partnership Interest, the Partnership shall first obtain (a) the written representation of the person seeking such information that the information is sought for a proper purpose related to Partnership business or management (specifically stating such purpose) or valid governmental proceedings and (b) if deemed appropriate by the Managing Partner, the agreement by such person that the person will not disclose such information to non-partners and/or will not use such information for anything other than matters related to Partnership business or management or for valid governmental proceedings.

Confidential Information. Each partner shall be required to maintain the confidential nature of non-public information pertaining to the Partnership or any other partner or their respective affiliates, pursuant to their participation in the Partnership or otherwise in connection with the Partnership (all such information is referred to as "Confidential Information"). Each partner agrees to preserve the confidentiality of all Confidential Information and agrees that it will not disclose or permit any of its representatives to disclose any Confidential Information, nor use the Confidential Information other than as may be required in the ordinary course of conducting the business of the Partnership, provided that any partner (or its representative) may disclose any such information: (a) as has become generally available to the public other than through violation of the Partnership Agreement; (b) as may be required or appropriate in any report, statement or testimony submitted to any governmental authority having or claiming to have jurisdiction over such partner (or its representative) but only that portion of the data and information which, in the opinion of counsel for such partner or representative is required or would be required to be furnished to avoid liability for contempt or the imposition of any other material judicial or governmental penalty or censure; (c) as may be required or appropriate in response to any summons or subpoena or in connection with any litigation; (d) to its attorneys and advisors or otherwise as expressly permitted under the Partnership Agreement; or (e) as to which the Partnership has consented in writing.

Reports and Records. At the expense of the Partnership, the Managing Partner shall maintain records and accounts of all operations and expenditures of the Partnership. The Partnership shall keep at its principal place of business the following records (a) a current list of the full name and last known address of each partner, and its Capital Contributions and Partnership Interests; (b) copies of records to enable a partner to determine the relative voting rights of the partners; (c) a copy of the Certificate of Formation of the Partnership and all amendments thereto; (d) copies of the Partnership's federal, state, and local income tax returns and reports, if any, for the three most recent years; (e) a copy of the Partnership Agreement, together with any amendments thereto; and (f) copies of any financial statements of the Partnership for the three most recent years.

The books and records shall be open to the reasonable inspection and examination of the partners, or their transferees, or their duly authorized representatives, during reasonable business hours. Any such person desiring to inspect and examine such records shall make a written request to the Partnership a reasonable time in advance of any time requested for such inspection. If such inspection may include access to confidential information of the Partnership or other partners, the Partnership may require the person requesting the inspection to execute an agreement to keep such information confidential and not to use such information other than for legitimate purposes in connection with the ownership or management of the Partnership. Any partner may, at its own expense, audit the books and records of the Partnership including procuring audited financial statements, subject to an appropriate confidentiality agreement. Investor Partners holding a minimum of 10% of the outstanding Partnership Interest (excluding any Partnership Interest, if any, held by the Managing Partner or affiliates) may obtain an audit by a national public accounting firm at the expense of the Partnership if an audit is not contracted for by the Managing Partner with a third party provider. The Partnership shall fully cooperate with any accountants appointed to conduct such audit.

The tax matters partner of the Partnership shall cause the preparation and timely filing of all tax returns required to be filed by the Partnership pursuant to the Code and all other tax returns deemed necessary and required in each jurisdiction in which the Partnership does business. Copies of such returns or pertinent information therefrom, shall be furnished to each of the partners within a reasonable time after the end of the Partnership's fiscal year. The Partnership will provide each of the partners with the information needed to prepare federal and state income tax returns within a reasonable time after the end of each calendar year. The Partnership may, if it is eligible and at the discretion of the Tax Matters Partner, elect to opt out of the partnership tax audit regime implemented under Internal Revenue Code Section 6221 for tax years beginning after 2017. No person other than the tax matters partner shall have any right to (i) participate in any audit of any Partnership tax return; (ii) participate in any proceedings arising out of or in connection with any Partnership audit or tax return, amended tax return or claim for a refund; or (iii) appeal or otherwise challenge any findings in any such proceeding. The tax matters partner shall have sole discretion to determine whether the Partnership will contest any proposed or assessed tax deficiencies or penalties on its own behalf or on behalf of the Partners [and transferees]. Any tax payment deficiency and penalty shall be allocated to and paid by the Partners [or their transferees] who held Partnership Interests in the year under review, in proportion to their respective Partnership Interests in the year under review. Any tax overpayment shall be allocated to the Partners [but not transferees] who hold Partnership Interests in the year in which the tax overpayment is finally determined by the Internal Revenue Service or other taxing authority, in proportion to their respective Partnership Interests. Each Partner [or its transferee] shall pay its proportionate share of any tax payment deficiency or penalty finally determined by the Internal Revenue Service or other taxing authority within 30 days after demand by the Tax Matters Partner. Each Partner [and any transferee] indemnifies and holds each other Partner harmless from payment of such indemnifying Partner's or transferee's proportionate share of any tax payment deficiency.

The Managing Partner may, but shall not be required to, obtain an annual audit of the Partnership. The Managing Partner shall provide to each partner [or their transferee], as soon as practical after the end of each fiscal year, financial statements prepared in accordance with the tax reporting basis employed by the Partnership.

Withholding. The Partnership may withhold any taxes it is required to withhold from any distribution to a partner, and any amounts withheld will be deemed to have been distributed to that partner. The Partnership will pay over the amounts withheld to the IRS or the appropriate authority of any state or other applicable government agency. In the event of any claimed over-withholding, a partner shall be limited to an action

against the IRS or the appropriate authority of any such state or other applicable government agency for refund. If the amounts required to be withheld exceed the amounts which would otherwise have been distributed to a partner, the partner shall contribute any deficiency to the Partnership within ten (10) business days after notice from the Partnership.

Term and Dissolution. The Partnership shall only be dissolved upon the conditions provided in the Partnership Agreement. We intend to dissolve the Partnership by December 31, 2050.

Limitations on Indemnification of the Managing Partner. To the extent that any indemnification provision in the Partnership Agreement purports to include indemnification for liabilities arising under the Securities Act of 1933 as amended, partners should be aware that, in the opinion of the Securities and Exchange Commission, such indemnification is contrary to public policy and therefore unenforceable. In any event, limited partners and their advisors should view closely the provisions of the Partnership Agreement concerning exculpation and indemnification of the Managing Partner and consult their own attorneys.

Arbitration. All partners agree to arbitrate disputes concerning the Partnership in accordance with the arbitration agreement in the Partnership Agreement.

UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

THE FOLLOWING WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE SECURITIES. THE FOLLOWING WAS NOT INTENDED OR WRITTEN TO BE USED, AND IT CANNOT BE USED BY ANY TAXPAYER, FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER UNDER U.S. FEDERAL TAX LAW. YOU SHOULD SEEK ADVICE BASED ON YOUR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

Some of the issues discussed in this Memorandum have not been definitively resolved by statutes, regulations, rulings or judicial opinions. In addition, certain issues are highly fact dependent. Accordingly, no assurances can be given that the conclusions expressed herein will be accepted by the Internal Revenue Service (IRS), or, if contested, would be sustained by a court, or that legislative changes or administrative pronouncements or court decisions may not be forthcoming that would significantly alter or modify the conclusions expressed herein.

The following is a summary of the material U.S. federal income tax consequences of holding and disposing of a Partnership Interest. The discussion is based upon the Internal Revenue Code of 1986, as amended (the Code), the Regulations promulgated thereunder, published rulings and court decisions, all of which are subject to change or different interpretations, possibly with retroactive effect. This summary is addressed to U.S. persons holding Partnership Interests as capital assets and does not discuss all of the U.S. federal income tax consequences that may be relevant to a particular partner or to certain persons subject to special treatment under the federal income tax laws (e.g., banks and certain other financial institutions, insurance companies, tax-exempt entities and non-U.S. persons). No rulings have been or will be sought from the IRS regarding any matter discussed in this Memorandum. Thus, there can be no assurance that the IRS will not take a contrary position to those set forth below. No legal opinion has been received or requested by the Partnership regarding the tax consequences relating to the Partnership or an investment in the Partnership. The statements which follow are based upon the provisions of the Partnership Agreement and other relevant documents. No assurance can be given that the IRS or the courts will concur with such statements or the discussion of the tax consequences set forth below. Prospective investors are urged to consult their own tax advisors about the federal, state, local and foreign tax consequences to them of purchasing, holding and disposing of Partnership Interests, including any special tax consequences applicable to foreign investors, governmental entities, insurance companies and organizations exempt from taxation.

Tax Status of the Partnership. The Partnership intends to be characterized as a partnership for U.S. federal income tax purposes. Treasury regulations permit many types of entities to select their preferred characterization for tax purposes. The Partnership intends to use these regulations to assure that it is characterized as a partnership. For U.S. federal income tax purposes, a partnership is not a taxable entity but

rather a conduit through which items of taxable income, loss, deduction and credit are passed through to, and reported by, its partners. Thus, each partner will be required to report on its federal income tax return its allocable share of items of taxable income, loss, deduction, or credit realized by the Partnership, whether or not any cash distributions are made to the partner during the taxable year. While no assurances can be given that state taxing authorities will follow federal tax law on that issue, it is also anticipated that the Partnership will be treated as a partnership under the applicable Texas tax rules.

Notwithstanding the forgoing, a partnership generally will be taxed as a corporation if it is treated as a publicly-traded partnership. A publicly-traded partnership means any partnership where interests in such partnership are traded on an established securities market or are readily tradable on a secondary market or the substantial equivalent thereof. Partnership interests are traded on a secondary market or the substantial equivalent thereof if, taking into account all of the facts and circumstances, the partners are readily able to buy, sell or exchange such interests in a manner that is comparable, economically, to trading on an established securities market. Transfers of Partnership Interests will be substantially restricted under the Partnership Agreement. Accordingly, we do not believe that Partnership Interests will be traded on an established securities market or readily tradable on a secondary market or the substantial equivalent thereof. However, there can be no assurance that a secondary market for the Partnership Interests will not develop or that the Partnership will not be treated as a publicly traded partnership.

If the Partnership were classified as a publicly-traded partnership, then unless 90% of the Partnership's income consisted of "qualifying income" (as discussed below), it generally would be subject to entity-level taxation on its income and gains at corporate tax rates (which currently range up 35%). In addition, in such a case, a distribution from the Partnership to a partner would be taxable to the partner in the same manner as a distribution from a corporation to a shareholder (i.e., as ordinary income to the extent of the current and accumulated earnings and profits of the Partnership, then as a nontaxable reduction of basis to the extent of the partner's tax basis in its Partnership Interest and finally as gain from the sale of the partner's Partnership Interest). Currently a distribution of current and accumulated earnings and profits may qualify to be treated as qualified dividend income subject to a reduced income tax rate not to exceed 20%. However, the effect of the foregoing (regardless of whether the distribution would be treated as qualified dividend income) would reduce substantially the after-tax economic return on an investment in the Partnership.

A partnership, even though "publicly traded," will not be treated as a corporation for tax purposes if 90% or more of its gross income consists of "qualifying income." Qualifying income includes interest (other than interest from the conduct of a financial business), dividends, real property rents, gain from the disposition of real property and income and gains from certain natural resource activities. The Partnership expects that substantially all of its income will be qualifying income. However, there can be no assurance that the Partnership would meet the 90% qualifying income test if it were treated as a publicly-traded partnership.

The remaining discussion assumes that the Partnership will be treated as a partnership and not as an association taxable as a corporation for federal income tax purposes.

Allocations of Income, Gains, Losses, Deductions and Credits. Except as discussed below, the items allocated to a partner must be included in the partner's own tax return for the taxable year within which or with which the taxable year of the Partnership ends. Because portions of the Partnership's income will be used to fund certain expenses and may be used to repay borrowings for which the Partnership is liable, such income may not be available for distribution to the partners. Nevertheless, income allocated to partners will be taxable to them regardless of whether such income is actually distributed.

Code Section 704(b) provides that a partner's distributive share of income, gain, loss, deduction or credit will be controlled by the partnership agreement if the allocation provided for in the partnership agreement has "substantial economic effect." If the allocation provided for in the partnership agreement does not have "substantial economic effect," then a partner's distributive share must be allocated in accordance with each partner's interest in the partnership, which will be determined by taking into account all the facts and circumstances, such as a partner's interest in profits and losses, his or her relative share of capital contributed to the partnership, his or her interest in cash flow and his or her right to distributions upon liquidation.

Treasury regulations under Code Section 704(b) set forth certain guidelines that, if satisfied by a partnership, will result in the allocation of profits and losses being deemed to have substantial economic effect. If the IRS were to contend successfully that the allocation of profits and losses under the terms of the Partnership Agreement was not in accordance with such guidelines, then each partner's share of the income, gain, losses, deductions or credits from the Partnership would be determined in accordance with his or her interest in the Partnership, taking into account all the facts and circumstances.

The Managing Partner believes that, even if the allocation provisions in the Partnership Agreement were held not to meet the strict terms of the applicable regulations, the allocations provided for in the Partnership Agreement will nevertheless be made among the partners according to their Partnership Interest, based upon all of the facts and circumstances. Accordingly, the Managing Partner believes that it is more likely than not that the allocations under the Partnership Agreement will be respected. However, the Partnership will not obtain a ruling from the IRS regarding the allocation provisions contained in the Partnership Agreement. Thus, there is the possibility that the IRS might challenge such provisions. If the IRS were to successfully challenge these provisions in the Partnership Agreement, then the IRS could reallocate the Partnership's items of income, gain, loss, deduction and credit for tax purposes. This could result in additional allocations of income and/or reduced allocations of favorable tax items to the Investor Partners.

Intangible Drilling and Development Costs. The Partnership anticipates that it will not provide the Investor Partners with deductions for intangible drilling and development costs under the U.S. federal tax code, as such deductions are limited to general partners who incur such expenses for domestic drilling in the United States.

Deduction for Depletion. Each partner will determine the availability of depletion, whether cost or percentage, separately from other partners. Additionally, each partner must separately keep records of its share of the adjusted basis of its Partnership Interest, adjust its share of the adjusted basis for any depletion taken and use such adjusted basis each year in the computation of such partner's cost depletion or in the computation of its gain or loss on the disposition of its Partnership Interest.

Under current income tax laws, each partner, more likely than not, will be allowed a deduction for the greater of cost depletion or percentage depletion, if allowable, on production from the Partnership properties, subject to the limitations outlined below. The percentage depletion allowance is available only if a partner qualifies under the "Small Producers Exemption", which is described below. Otherwise, the partner will be limited to a cost depletion allowance. Percentage depletion is calculated by applying the depletion rate (currently 15%, subject to the Depletion Rate Adjustment as defined below) to the gross revenues from the Partnership's properties. Cost depletion is calculated by prorating the partner's adjusted cost basis of the property over the remaining productive life of the property.

The current depletion rate is 15%. Generally, as an independent producer or royalty owner, a partner will calculate its percentage depletion by computing its average daily production of domestic oil or gas and comparing this to its depletable oil or gas quantity. If the average daily production does not exceed the partner's depletable oil or gas quantity, the partner calculates its percentage depletion by multiplying the gross income from the oil or gas property (defined later) by 15%. Certain holders of interests in marginally producing wells may be allowed a higher rate of depletion, if the holder files an election and if the IRS-determined average crude price of oil drops below a target price. Marginally producing wells are generally "stripper wells" (domestic oil-producing properties with production of less than 15 barrels per day on average at the maximum efficient rate of flow), or domestic properties whose production consists of substantially all heavy oil. Currently the average crude price is higher than the target price at which a higher rate of depletion would be available.

Under the "Small Producers Exemption" (as described in this paragraph), independent producers and royalty owners who are not oil and gas retailers and certain refiners are allowed a percentage depletion deduction on a limited amount of domestic oil and gas production. Generally, this exemption will cover the first 1,000 barrels of the taxpayer's average daily production from all sources of domestic crude oil or, if the prescribed election is made, up to 6,000,000 cubic feet of average daily production of domestic natural gas. Certain related taxpayers are aggregated and treated as one taxpayer in determining the quantity of production (barrels of oil or cubic feet of gas per day) qualifying for percentage depletion under the Small Producers Exemption. For

example, if 50% or more of the beneficial interest in two or more corporations, trusts, or estates is owned by the same or related persons, such entities are treated as one taxpayer and are entitled to share only one depletable quantity. Also, members of the same family must share one depletable quantity exemption, but for this purpose a "family" includes only an individual, his spouse, and minor children.

For purposes of computing average daily production of crude oil or natural gas, a partner will be treated as realizing production from each oil and gas property held by the Partnership equal in amount to the Partnership production from such property allocated to the partner. Both the percentage depletion allowance and the cost depletion allowance must be computed separately by each partner rather than by the Partnership. For this purpose, each partner is allocated a share of the Partnership's basis in each property.

The percentage depletion allowance claimed by a partner under the Small Producers Exemption is also subject to limits based on net income. Such depletion deduction may not exceed the lesser of 100% of the partner's share of the taxable income from the property or 65% of the partner's taxable income for the year, computed without regard to the percentage depletion deduction and without regard to losses occurring in subsequent years that are carried back to the taxable year. If percentage depletion exceeds the 65% of taxable income limit, the excess is disallowed as a deduction for the current taxable year, but may be carried over by the partner and deducted as a depletion deduction, subject to the same 65% limit, in the succeeding taxable year or years until exhausted. Depletion deductions for a property that exceed 100% of the taxable income from the property may not be carried over to subsequent taxable years.

A partner will be allowed to use percentage depletion as provided for in the Code with respect to oil and gas production from the Partnership if the partner qualifies for the Small Producers Exemption and to the extent the partner is not subject to the limits based on net income. However, because the Depletion Rate Adjustment is based upon unforeseeable facts regarding oil prices and well production amounts and efficiencies, it is uncertain as to the availability or extent of any Depletion Rate Adjustment that might be available to a partner. Each prospective partner should consult his personal tax advisor to determine whether percentage depletion would be available to him. The full amount of depletion deductions taken with respect to a property, whether percentage or cost depletion, will be subject to recapture as ordinary income (to the extent of the gain) upon disposition of the property.

Depreciation. The cost of equipment such as casing, tubing, tanks, pumping units, and other similar property may not be deducted currently. Such costs must be capitalized and recovered through depreciation. As the Partnership will own only royalty interests, the Partnership and its partners will not be entitled to depreciation deductions.

Capitalized Costs. A portion of the costs charged to the partners may not be currently deductible. Costs incurred for the geological or geophysical evaluation or the acquisition of an oil and gas property (including lease bonuses, the cost of abstracts, lease acquisitions, title examination and curing title, and defense and delay rentals incurred to the date of acquisition by the Partnership) must be capitalized and are not deductible, except that geological or geophysical evaluation costs with respect to properties that are not acquired, and (possibly) acquisition costs for properties that are later proven worthless, may be deducted when the property is abandoned by the Partnership. The acquisition cost of producing properties must be allocated between the depletable property and the depreciable property. To the extent that Partnership funds are spent on acquisition costs for a royalty interest that at the end of any taxable year has not been proven worthless, the partners will not be entitled to a current deduction as a result of the expenditure of such costs (except through depletion in the case of productive wells).

Treatment of Gain or Loss on Sale of Properties by the Partnership. At the time the Partnership disposes of an oil and gas property, each partner must separately determine gain or loss with respect to its share of each separate oil and gas property that it is deemed to own by virtue of its participation in the Partnership. Gain or loss is the difference between the portion of the amount realized with respect to such property allocated to the partner under the terms of the Partnership Agreement and the partner’s tax basis in the property.

Upon the taxable disposition of an oil and gas property, the partner generally will recognize gain or loss, respectively, arising from the sale of “Section 1231” assets (*i.e.*, real property, including oil and gas properties

used in a trade or business and held for more than one year). However, all or a portion of the gain, if any, realized on the sale of these oil and gas properties may be recharacterized as ordinary income subject to taxation at the regular rates, as Section 1254 gain.

Treatment of Gain or Loss on Sale of an Interest in the Partnership. The sale or exchange of all or part of a Partnership Interest generally will result in a recognition of capital gain or loss, except to the extent of ordinary income or loss, if any, attributable to the Partnership's Code Section 751 assets (which consist of unrealized receivables (including 1245 and 1254 recapture items) and inventory, or substantially appreciated inventory if Partnership Interests are redeemed by the Partnership). The amount realized from the sale will be measured by the sum of the cash or the fair market value of other property received by the partner plus the partner's share of the Partnership's liabilities for which the partner is deemed to be relieved.

Capital gain or loss recognized by a non-corporate partner on the sale or exchange of a Partnership Interest held for more than twelve months will be long-term capital gain or loss, currently subject to taxation at a maximum rate of 20%. All other gains will be taxed at ordinary income rates. To the extent that a capital loss is realized on the disposition of a Partnership Interest, the partner's ability to recognize such loss may be severely limited.

If a partner sells or otherwise disposes of a Partnership Interest prior to the end of a taxable year in which the Partnership has net income, the partner will be liable for the income taxes due on its proportionate share of the net income attributable to such Partnership Interest for that period ending on the date of disposition, even though the partner may not have received any cash distributions.

Recapture of Depletion Deductions. The Code provides for the recapture of depletion deductions upon certain dispositions (other than by gift, death, or certain tax-free exchanges) of an interest in productive oil or gas properties, or of an interest in an oil or gas partnership with an interest in productive properties. The amount subject to recapture is treated as ordinary income. The amount of gain treated as recapture of ordinary income is the lower of (a) the amount of gain realized upon the disposition of the property or (b) the previously deducted depletion deductions (to the extent the depletion deductions reduced the tax basis of the oil and gas properties) allocable to those properties (directly or through the ownership of an interest in an oil and gas partnership). Where only a portion of a partnership interest is disposed of, all depletion deductions subject to the recapture must be allocated first to the disposed portion. If depletion deductions attributable to a royalty interest exceed the amount of gain on the disposition of that royalty interest, all of the gain will be taxed as ordinary income.

Potential Changes in Tax Incentives. In the past, legislation has been proposed which would repeal certain tax incentives for the oil and gas industry, including the repeal or restriction of depletion deductions. **It is highly likely that repeal or limitation of these tax incentives will be proposed again.** The passage of any legislation as a result of these proposals or any other similar changes in U.S. federal income tax laws could eliminate or postpone certain tax deductions that are currently available with respect to oil and natural gas exploration and development, and any such change could increase the tax on income allocable to the limited partners and negatively impact the value of an investment in the Partnership. Prospective investors are urged to consult with their own tax advisors regarding whether any such legislation is likely to be introduced or passed in the future, and how this may affect them.

Tax Basis in a Partnership Interest. A partner's tax basis in a Partnership Interest will initially equal the amount paid to acquire that Partnership Interest. It will be increased by (i) any subsequent cash contributions the partner makes to the Partnership, (ii) the partner's distributive share of the Partnership's taxable income, (iii) the partner's distributive share of the Partnership's tax-exempt income, (iv) any increase in the partner's share of indebtedness of the Partnership, (v) the excess of deductions for depletion over the basis of the property subject to depletion, and (vi) any gain recognized by the partner in a taxable disposition of an oil and gas property owned directly or indirectly by the Partnership. It will be decreased (but not below zero) by (i) actual distributions made by the Partnership to the partner, (ii) the partner's distributive share of the Partnership's losses, (iii) the partner's distributive share of the Partnership's non-deductible expenses that are not properly chargeable to a capital account, (iv) a decrease in the partner's share of indebtedness of the Partnership, (v) the deduction for depletion determined and claimed by the partner as outlined above, to the

extent that the cumulative amount of any such depletion deductions so claimed do not exceed the aggregate tax basis in oil and gas properties allocated to the partner, and (vi) any loss recognized by the partner in a taxable disposition of any oil and gas properly owned directly or indirectly by the Partnership.

Limitations on Deductions. To the extent that the Partnership incurs losses, a partner's ability to deduct its share of deductions and losses will be limited to the tax basis that such partner has in its Partnership Interest, or in the case of an individual partner or a corporate investor (if more than 50% of the value of such corporate partner's stock is owned directly or indirectly by five or fewer individuals or certain tax-exempt organizations), to the amount that the partner is considered to be "at risk" with respect to the Partnership's activities, if that is less than the partner's tax basis. A partner must recapture losses deducted in previous years to the extent that the Partnership's distributions cause the investor's at risk amount to be less than zero at the end of any taxable year. Losses disallowed to a partner or recaptured as a result of these limitations will carry forward and will be allowable to the extent that the partner's tax basis or at risk amount (whichever is the limiting factor) is subsequently increased.

In general, each partner will be at risk to the extent of the purchase price of its Partnership Interest, but this will be less than the partner's tax basis in its Partnership Interest to the extent of the partner's share of any of the Partnership's nonrecourse liabilities. A partner's at risk amount generally will increase or decrease as the tax basis of the partner's Partnership Interest increases or decreases except that changes in the Partnership's nonrecourse liabilities will not increase or decrease the partner's at risk amount.

In addition, individuals and certain entities are prohibited from deducting net losses from "passive activities" for any taxable year except against income from passive activities for the taxable year. See the discussion below, "Passive Income and Losses." Certain losses from the Partnership that are allocated to a partner may constitute "passive activity losses" subject to the passive loss rules. Any disallowed passive activity losses may be carried forward and deducted in subsequent years. In addition, the balance of any unused passive activity losses will be allowable in full upon disposition of the partner's interest in the Partnership. The passive activity loss rules are applied after other applicable limitations on deductions such as the tax basis limitation and the at risk rules.

Passive Income and Losses. The passive activity limitations apply to individuals, trusts, estates, personal service corporations, and, in modified form, closely-held C corporations. In general, these rules limit the deductibility of losses from passive activities (which generally include losses attributable to a trade or business carried on as a limited partner) as well as any rental activity or other business activity in which the taxpayer does not materially participate, to the income generated from the taxpayer's other passive activities. We do not anticipate that a partner will realize passive income or loss from the Partnership's investments. If a partner is subject to these rules, the partner's share of passive losses, if any, from these investments may be used to offset the partner's net income (and associated tax liability) from other passive activities. Conversely, such partner may utilize losses, if any, from its other passive activities to offset his or her passive income, if any, attributable to the Partnership's investments. However, any "excess" passive loss attributable to the Partnership's investments cannot be utilized to offset the partner's income from other sources, such as "active income" (*i.e.*, wages and active trade or business income) or "portfolio income" (*i.e.*, dividend, interest, royalty and annuity income and gains derived from assets producing portfolio income) but instead must be carried forward to future years to offset passive income recognized in those years under the same rules. Therefore, a partner will receive no current tax benefit from any passive activity losses to the extent that the partner has no passive activity income from other sources during that tax year.

Portfolio Income. We anticipate that the Partnership will generate portfolio income. Portfolio income earned by a taxpayer is treated as non-passive income of the taxpayer and cannot be offset by such taxpayer's passive losses, if any. Consequently, if the Partnership generates portfolio income, each partner will have an increased tax liability regardless of the amount of passive losses, if any, attributable to the partner.

Treatment of Distributions from the Partnership. In the event that distributions of cash made to a partner exceed the partner's tax basis in its interest, the partner must recognize gain equal to such excess. Cash distributions in excess of a partner's tax basis generally will be considered to be gain from the sale or exchange of an interest in the Partnership, which gain generally will be treated at least in part as capital gain. See the

discussion above, "Treatment of Gain or Loss on Sale of an Interest in the Partnership." Please note that any reduction in a partner's share of the Partnership's liabilities for federal income tax purposes will be treated as a distribution of cash.

Phantom Income. Because portions of the Partnership's income will be used to fund certain expenses and may be used to repay borrowings for which the Partnership is liable, such income may not be available for distribution to the partners. Nevertheless, income allocated to partners will be taxable to them regardless of whether such income is actually distributed. Thus, a partner may not receive distributions from the Partnership in an amount equal to such partner's tax liability resulting from its investment in the Partnership, and such partner would have to satisfy such tax liability with its other assets.

Tax Returns. The Partnership will file a partnership information income tax return for each calendar year, although the Partnership will not itself be subject to any federal income taxes. *See* "Tax Status of the Partnership." The Partnership will deliver to each partner a report containing certain information necessary in the preparation of the partner's federal income tax returns on or before the day, including extensions, on which the partnership return for that taxable year is required to be filed.

Certain Considerations for Tax-Exempt Partners. If an entity exempt from taxation under Section 501 of the Code (a "tax-exempt entity") is a partner in a partnership that is engaged in a trade or business not substantially related to the tax-exempt entity's exempt function, the tax-exempt entity's distributive share of partnership income (other than dividends, interest, royalties, certain rents, capital gains and certain other items) will be treated as unrelated business taxable income (UBTI). In addition, if a tax-exempt entity is a partner in a partnership that owns property acquired with borrowed funds, or if the tax-exempt entity itself borrows to invest in a partnership, the tax-exempt entity's share of partnership income (including dividends, interest, royalties, rent and capital gains) attributable to such property will be treated as UBTI.

If the Partnership incurs debt or a tax-exempt entity incurs debt to invest in the Partnership, that indebtedness would cause tax-exempt investors to recognize UBTI. In addition, the Partnership may realize income that will constitute UBTI irrespective of whether the Partnership or any tax-exempt partner incurs indebtedness. Each tax-exempt investor is urged to consult with its own tax advisor regarding the federal, state and local tax treatment of its investment in the Partnership.

Tax Audits. The Managing Partner will represent the Partnership, as "tax matters partner" during any audit and in any dispute with the IRS. The Partnership may, if it is eligible and at the discretion of the Tax Matters Partner, elect to opt out of the partnership tax audit regime implemented under Internal Revenue Code Section 6221 for tax years beginning after 2018. Each limited partner will be informed by the Managing Partner of the commencement of an audit of the Partnership. In general, the Managing Partner may enter into a settlement agreement with the IRS on behalf of, and binding upon, the limited partners. The legal and accounting costs incurred in connection with any audit of the Partnership's books and records will be borne by the Partnership. Limited partners will bear the cost of audits of their own tax returns.

The period for assessing a deficiency against a partner in a partnership with respect to a partnership item is the later of three (3) years after the partnership files its return or, under certain circumstances, if the name, address, and taxpayer identification number of the partner do not appear on the partnership return, one year after the IRS is furnished with such information. The Managing Partner may consent on behalf of the Partnership to an extension of the period for assessing a deficiency with respect to a Partnership item. As a result, a limited partner's federal income tax return may be subject to examination and adjustment by the IRS for a Partnership item more than three years after such return has been filed.

If adjustments are made to items of Partnership income, gain, loss, deduction or expenses as the result of an audit of the Partnership, the tax returns of the limited partners may be reviewed by the IRS, which could result in adjustments of non-Partnership items as well as Partnership items. Any tax payment deficiency and penalty will be the responsibility of the Partners who held Partnership Interests in the year under review, in proportion to their respective Partnership Interests in the year under review. Any tax overpayment will be allocated to the Partners [but not transferees] who hold Partnership Interests in the year in which the tax overpayment is finally determined, in proportion to their respective Partnership Interests.

Prospective investors should note that the Treasury Department has examined and continues to study the administrative and compliance issues related to the tax treatment of large partnerships, including the issues of imposing collection and/or withholding of tax at the partnership level and procedures for audits and assessments of partnerships and partners.

Tax on Net Investment Income. Federal law imposes a Medicare tax of 3.8% on the net investment income of certain individuals, trusts and estates. In the case of an individual, the tax will be imposed on the lesser of (1) the partner's net investment income or (2) the amount by which the partner's modified adjusted gross income exceeds $250,000 (if the partner is married and filing jointly or a surviving spouse), $125,000 (if the partner is married and filing separately) or $200,000 (in any other case). Among other items, net investment income generally includes a partner's allocable share of Partnership income derived from royalties or from the sale or exchange of Partnership assets and a partner's income derived from its sale or exchange of a Partnership Interest. Prospective purchasers should consult with their own tax advisor regarding the possible application of this tax in their particular circumstances.

The Alternative Minimum Tax. Individual and corporate taxpayers have potential liability for alternative minimum tax. The depletion deduction for mines, wells, and other natural deposits under section 611 of the Code is limited to the property's adjusted basis at the end of the year, as recalculated for the alternative minimum tax, unless the taxpayer is an independent producer or royalty owner claiming percentage depletion for oil and gas wells. Therefore, for most investors who are independent producers or royalty owners, percentage depletion will not be a preference item for calculating the alternative minimum tax. However, if a partner claims cost depletion deductions derived from the Partnership, such deductions could affect a partner's alternative minimum tax liability. Because such liability is dependent upon each partner's own circumstance, each partner should consult its own tax advisors concerning the alternative minimum tax consequences of being a partner. The individual alternative minimum tax currently is the excess of (a) the taxpayer's alternative minimum taxable income (AMTI), reduced by the taxpayer's exemption amount, multiplied by 26% for the first $185,400 of AMTI ($92,700 for married individuals filing separate returns) in excess of the exemption amount, and 28% for amounts over the $185,400 excess ($92,700 for married individuals filing separate returns), over (b) the taxpayer's regular tax liability. The exemption amount for married individuals filing a joint return and surviving spouses is $83,800; the exemption for a single individual not qualifying as a surviving spouse is $53,900; the exemption for married individuals filing separate returns is $41,900; the exemption for estates and trusts is $24,100. These exemption amounts decrease by $.25 for each dollar of AMTI in excess of $159,700 (for married individuals filing a joint return or a surviving spouse), $119,700 (for a single individual not qualifying as a surviving spouse), and $79,450 (for married individuals filing separate returns and estates and trusts). The passive activity limitations also apply for purposes of computing alternative minimum taxable income, although tax preference items taken into account for purposes of the passive activity rules are not again taken into account in computing alternative minimum taxable income.

Corporations are also subject to an alternative minimum tax. The corporate minimum tax is the excess of (a) 20% of the amount by which the corporation's alternative minimum taxable income exceeds $40,000 over (b) the corporation's regular income tax liability. The $40,000 exemption amount is reduced by $.25 for each dollar of alternative minimum taxable income in excess of $150,000. The corporate alternative minimum taxable income generally is equal to taxable income (recomputed by making certain adjustments) plus the corporation's tax preference items. Corporate items of tax preference include items similar to those described for individuals, and a number of additional items.

THE ALTERNATIVE MINIMUM TAX WILL AFFECT EACH PROSPECTIVE PURCHASER OF PARTNERSHIP INTERESTS DIFFERENTLY, DEPENDING ON THEIR INDIVIDUAL TAX SITUATION.

Anti-Abuse Regulations. The IRS has adopted regulations which give the IRS the power to recast transactions that the IRS believes attempt to use the partnership provisions for tax avoidance purposes. Such regulations are commonly referred to as the "Anti-Abuse Regulations". Under such regulations, if the IRS determines that a transaction was entered into for tax avoidance purposes and the transaction should be recast or disregarded, the IRS can disregard the transaction or recast the transaction in a manner that will more accurately reflect the economics of the transaction. The IRS is given great latitude under the Anti-Abuse

Regulations and the existence of such regulations provide additional uncertainty with respect to partnership operations. Although the Managing Partner believes that the Partnership's transactions will have independent economic substance and significance and are not of the character described in the Anti-Abuse Regulations and will, therefore, be recognized by the IRS and will not be recast or disregarded by the IRS, the Managing Partner cannot assure that the IRS will not attempt to do so and the IRS might prevail if they attempted to do so.

Reportable Transaction Disclosure and List Maintenance. A taxpayer's ability to claim privilege on any communication with a federally authorized tax preparer involving a tax shelter is limited. In addition, taxpayers and material advisors are required to comply with disclosure and list maintenance requirements for reportable transactions. We believe that our structure and the sale of Partnership Interests should not constitute a reportable transaction. Accordingly, we do not intend to make any filings pursuant to these disclosure or list maintenance requirements. There can be no assurances that the IRS will agree with this determination by us. Significant penalties could apply if a party fails to comply with these rules, if such rules are ultimately determined to be applicable.

State of Alaska Taxes. If and when the Partnership begins to receive payments under the Northern Lights ORRI, the payments will be net of any applicable taxes levied by the State of Alaska. The Partnership will file any tax returns required by the State of Alaska, except that the Partnership will not file individual tax returns for any partner.

Legislative Changes in Oil and Gas Taxes

In 2016, Alaska adopted changes to its system of oil and gas tax credits. Among other changes, Alaska is phasing out the three major tax credits available to oil and gas exploration and development companies operating in the Cook Inlet, where the Northern Lights ORRI is located. The Net Operating Loss, Qualified Capital Expenditure and Well Lease Expenditure tax credits were reduced by approximately one-half for calendar year 2017 and are scheduled to expire entirely in calendar year 2018. Generally, these credits apply to a proportion of the expenses incurred in exploration and development and could be used to offset taxes owed to the state of Alaska. News reports state that Furie qualified for these credits during its exploration and development of the Kitchen Lights Unit. Furie has stated that these tax credits were key in arranging financing for its exploration expenses in the Kitchen Lights Unit. We believe that tax credits that have already been earned will be available for use in future years, subject to Alaska budgetary provisions. In addition to changes in the tax credits, Alaska will impose a flat tax of $1 per barrel of oil produced in the Cook Inlet. We believe, but cannot confirm, that this will be paid by the working interest owners.

It is possible that Furie will curtail further drilling in the Cook Inlet as a result of the expiration of these credits, although we currently are not able to assess the likelihood of this. Furie has already spent significant monies to drill wells and construct a gas production platform in the Kitchen Lights Unit. It has entered into gas supply contracts with utilities in the Cook Inlet area, as explained in the Memorandum. We have not seen any evidence that Furie is seeking to amend its plan of exploration for the Kitchen Lights Unit. The plan of exploration approved by the state of Alaska requires that Furie continue to develop the Kitchen Lights Unit. If the commitments in the plan of exploration are not met, they could be amended with the approval of the state of Alaska, or leases in one or more undrilled blocks could be contracted out of the Kitchen Lights Unit and forfeited.

As explained in the Memorandum, the Kitchen Lights Unit, approximately 83,000 acres in the Cook Inlet is divided into four exploration blocks: the Corsair, North, Southwest and Central Blocks. The six active leases underlying the Northern Lights ORRI are all located in the North Block. The six leases will continue in effect only if Furie complies with the plan of exploration for the Kitchen Lights Unit or receives approval of an amendment to the plan of exploration. A plan of exploration for a unit sets drilling commitments and other commitments. If these commitments are not met, the result could be that one or more undrilled blocks would be contracted out of the unit. If a block is contracted out of the Kitchen Lights Unit, and the leases in the block are past their primary terms and not extended, the leases will be forfeited to the State of Alaska. All of the six

leases underlying the Northern Lights ORRI are past their primary terms and if contracted out of the Kitchen Lights Unit, they will be forfeited. If all six leases are forfeited, the Northern Lights ORRI to be acquired by the Partnership will have little value, and you will likely lose your entire investment in the Partnership. However, we think that Furie would not choose to relinquish the North Block, where our leases are located, as it has drilled one well, the KLU #4, in the North Block. Furie has also announced plans to drill another well, the KLU #9, in the North Block on one of the leases underlying the Northern Lights ORRI. We understand that the KLU #4 and the KLU #9 will target the Jurassic formation, although we can provide assurance that this will be the ultimate target formation.

It is possible that the expiration of the oil and gas tax credits for Cook Inlet exploration will discourage new development by existing operators, including Furie. However, we think it is more likely to discourage other exploration and production companies from attempting to explore or develop in the Cook Inlet area, and therefore that the expiration of the tax credits will ultimately reduce the supply of natural gas. In turn, this may tend to increase the average price of gas in the area. A consent decree between another operator in the Cook Inlet and the state of Alaska, which imposed a cap (which increased by 4% annually) on local gas prices, will expire in 2018. Current contracts entered into by this operator and Furie with area utilities are priced below the top end of the gas price cap. However, with the expiration of the consent decree, gas prices may be more responsive to demand.

There is considerable uncertainty concerning many aspects of the federal income tax treatment of the Partnership and there can be no assurance that some of the positions taken by the Partnership will not be challenged by the IRS. The foregoing discussion is only a summary and is based upon existing federal income tax law. Prospective investors should recognize that the federal income tax treatment of an investment in Partnership Interests may be modified at any time by legislative, judicial or administrative action. Any such changes may have retroactive effect with respect to existing transactions and investments and may modify the statements made above.

NOTHING IN THIS MEMORANDUM SHOULD BE CONSTRUED BY ANYONE AS TAX OR LEGAL ADVICE. THE SUMMARY OF FEDERAL INCOME TAX CONSEQUENCES SET FORTH IN THIS MEMORANDUM IS NOT INTENDED TO BE A COMPLETE SUMMARY OF THE TAX CONSEQUENCES OF THIS INVESTMENT AND IS NOT INTENDED AS A SUBSTITUTE FOR CAREFUL TAX PLANNING. WE STRONGLY RECOMMEND THAT YOU OBTAIN INDIVIDUAL TAX ADVICE, PARTICULARLY SINCE THE INCOME TAX CONSEQUENCES OF AN INVESTMENT IN THE PARTNERSHIP INTERESTS ARE COMPLEX AND CERTAIN OF THESE CONSEQUENCES WOULD VARY SIGNIFICANTLY WITH YOUR PARTICULAR SITUATION.

CONFLICTS OF INTEREST AND TRANSACTIONS WITH RELATED PARTIES

Conflicts of Interest. Each partner acknowledges that there may be situations in which the interests of the Partnership may conflict with the interests of the Managing Partner or any affiliate. Each partner agrees that the activities of the Managing Partner and any affiliate specifically authorized by or described in the Partnership Agreement may be engaged in by the Managing Partner or any such affiliate and will not, in any case or in the aggregate, be deemed a breach of the Partnership Agreement or any duty owed by the Managing Partner or any such affiliate to the Partnership or to any partner. Each partner agrees that the Managing Partner is entitled to act in its discretion in any situation posing a conflict of interest, and further agrees that the partner will not assert a claim arising out of any of the following actual or potential conflicts of interest.

Shawn Bartholomae and ProAK have a conflict of interest regarding the purchase price for the Northern Lights ORRI. Mr. Bartholomae set the price at which ProAK was willing to sell and the price the Partnership will pay, so a significant conflict of interest in determining the purchase price of the Northern Lights ORRI exists.

ProAK, LLC has a conflict of interest. ProAK has a conflict of interest in recommending that the Partnership purchase the Northern Lights ORRI owned by it. ProAK is the managing partner of the Partnership and is wholly owned and controlled by Mr. Shawn Bartholomae. We anticipate that ProAK will be paid fixed, non-accountable fees and expenses of 15% of the gross proceeds from this offering. In addition, ProAK will be entitled to an annual payment of $60,000 for a management fee and will receive a 15% carried interest in this Partnership.

Terms of the Offering. Substantially all of the terms of this offering were determined by us prior to the formation of the Partnership. Such terms included, without being an exclusive listing thereof, the following matters: (a) the determination of the structure of the Partnership; (b) the amounts to be paid or reimbursed by the Partnership to the Managing Partner; (c) the absence of any Capital Contributions expected of the Managing Partner; and (d) the extent to which the Managing Partner will participate in distributions by the Partnership. Such terms were not negotiated with the Investor Partners and such transactions may be deemed to have been entered into without the benefit of arms-length negotiations.

No Investor Partner Participation in other Activities. The Managing Partner and its affiliates may engage for their own account and/or for the account of others, including other investors, in all aspects of the oil and gas, real estate or any other legal business. The Managing Partner and/or its affiliates may begin or continue such activities, individually, jointly with others, or as owners or managers of any person; and shall not be required to permit the Partnership or the partners to participate in any other such activities in which any Managing Partner or any affiliate may be interested or share in any profits or other benefits therefrom, solely by virtue of being a partner in the Partnership. The doctrines of "corporate opportunity" or "business opportunity" shall not be applied to any other activity, venture, or operation of the Managing Partner or any partner, and no partner shall have any obligation to the others with respect to any opportunity to engage in any business.

Purchase of other overriding royalty interests in the Kitchen Lights Lease Area. We may purchase additional overriding royalty interests in the Kitchen Lights Lease Area from Shawn Bartholomae or other affiliates. We anticipate that any such purchase would be for the same proportionate price as the purchase from Shawn Bartholomae described in this Memorandum. If the purchase from Shawn Bartholomae is not completed for any reason, we may use the entire net proceeds to purchase overriding royalty interests in the Kitchen Lights Lease Area from our affiliates and third parties. Any such purchase will be at a higher amount than Mr. Bartholomae or any other affiliates paid to originally acquire their overriding royalty interest, and partners in this Partnership will have no right to participate in such profits.

Transactions with Affiliates. In addition to the proposed purchase from Shawn Bartholomae, the Managing Partner shall have the right to cause the Partnership to enter into transactions with any other entity of which the Managing Partner is the manager, general partner or advisor or with entities which such other entity controls or invests in, in each case on terms which are fair to each party taking into consideration such factors as the Managing Partner shall determine in its discretion.

Sales by the Managing Partner. Partnership Interests will be offered and sold through the Managing Partner, which may have a conflict of interest in recommending the investment. The Managing Partner does not intend to undertake to determine whether the Partnership Interests are the optimal investment, generally or for any particular customer.

Allocation of Time and Personnel. The Managing Partner, its affiliates and employees shall devote so much of their personnel and time to the affairs of the Partnership as in their judgment the conduct of the Partnership business shall reasonably require. The Managing Partner, its affiliates and employees shall not be obligated to do or perform any act or thing in connection with the business of the Partnership not expressly set out in the Partnership Agreement. Notwithstanding anything to the contrary in the Partnership Agreement, the managers and employees of the Managing Partner and any affiliate of the Managing Partner will be permitted to perform similar duties for any other entity.

Employment of Others. The Managing Partner may, from time to time, employ any person to render services to the Partnership on such terms and for such compensation as the Managing Partner may determine in its discretion, including, without limitation, geologists, engineers, attorneys, accountants, brokers or finders, and landmen, regardless of whether the Managing Partner also has the internal expertise to provide such services. Such persons may be affiliates of any the Managing Partner or any other partner. Persons retained, engaged or employed by the Partnership may also be engaged, retained or employed by and act on behalf of any partner or any affiliate.

No Capital at Risk. As the Managing Partner is not required to make any capital contribution to the Partnership, it does not bear a risk of loss commensurate with its investment. In addition, its Net Distribution Interest may create an incentive for it to engage in riskier, but potentially more rewarding, investments or in investments that are more speculative than it might otherwise make.

Legal Representation. Counsel for the Managing Partner in connection with this offering does not represent the Partnership or the Investor Partners, and may be replaced at any time by the Managing Partner. No independent legal counsel will be retained to represent the Partnership or the Investor Partners. Counsel to the Managing Partner does not undertake to monitor the compliance of the Managing Partner or the Partnership with the provisions of the Partnership Agreement or with the investment program and terms set out in this Memorandum or with applicable laws.

PRIOR ACTIVITIES

The Partnership is recently formed and has not engaged in significant activities. The Managing Partner currently manages two affiliated partnerships, Northern Lights Royalties LP, and Northern Lights Royalties II, LP and manages a dissolving partnership, ProAk Royalties, LP, which previously owned the Northern Lights ORRI acquired by Northern Lights Royalties LP. Mr. Shawn Bartholomae directly or indirectly manages numerous other partnerships and investments in the oil and gas industry. These other entities are primarily limited partnerships that invest in working interests in oil and gas development wells. You may request further information from us regarding the prior activities of the principals of the Managing Partner in the oil and gas business.

LEGAL PROCEEDINGS

On May 11, 2009, a lawsuit was filed in the Texas State District Court in Tarrant County, Texas styled "William R. Haney, Sr. v. Prodigy Oil & Gas, LLC and Shawn E. Bartholomae." The lawsuit sought the recovery of sums invested by a Massachusetts resident in various oil and gas drilling programs sponsored by Prodigy Oil & Gas, LLC, an Affiliate of Prodigy Exploration, Inc. The lawsuit asserted that the Defendants had violated various state and federal common laws and statutory laws in connection with the offer and sale of interests in these drilling programs. Following the filing of the action, the Defendants moved to compel the lawsuit to arbitration. The Defendants were successful in doing so, and on April 17, 2012, the investor filed a claim with the American Arbitration Association against the named parties identical to his lawsuit filed in Texas State District Court in Tarrant County. On May 21, 2012, Prodigy Oil & Gas, LLC and Mr. Bartholomae filed their answering

statement to Mr. Haney's claim and filed a counterclaim alleging his claim violated his agreements with Prodigy Oil & Gas, LLC and that his claim was without merit.

Thereafter, on December 4, 2012, the investor voluntarily agreed to dismiss his claim before the AAA, with prejudice, and in return, Prodigy Oil & Gas, LLC and Mr. Bartholomae agreed to dismiss their counterclaim. Neither party paid any monetary amount in return for the mutual agreement to dismiss.

Two days later, on December 6, 2012, the Massachusetts Securities Division (the "Division") filed an administrative complaint against Prodigy Oil & Gas, LLC and Mr. Shawn Bartholomae alleging various violations of the Massachusetts Uniform Securities Act in connection with sales of interests in those drilling programs to the "Massachusetts investor". Neither Prodigy Oil & Gas, LLC nor Mr. Bartholomae were ever contacted by the Division concerning any of their activities in the state of Massachusetts. The Complaint sought an order directing that Prodigy and Mr. Bartholomae cease and desist from offering or selling securities in Massachusetts unless the securities were properly registered or were offered for sale and sold pursuant to an exemption from registration under the Massachusetts Securities Act.

Prodigy Oil & Gas, LLC and Mr. Bartholomae vigorously contested the action. They were of the view that the allegations made by the Division were not supported by the facts nor applicable law.

On September 15, 2015, following over two and one-half years of litigation involving the Massachusetts action, Prodigy Oil & Gas, LLC and Mr. Bartholomae agreed to the entry of a Consent Order in which it was found that Prodigy Oil & Gas, LLC had failed to file two Form Ds in Massachusetts as required pursuant to Massachusetts law. They were ordered to pay an administrative fee of $1,500 to the Division and to offer a refund to the Massachusetts investor of one of his investments. No other violations of law were found by the Division to have occurred.

On January 27, 2012, a lawsuit was filed in the Texas State District Court in Dallas County, Texas styled "William Hall, et al vs. Prodigy Oil & Gas, LLC, et al." The lawsuit named seven Defendants that include Prodigy Oil & Gas, LLC, Prodigy Exploration, Inc., Mr. Shawn Bartholomae and Mr. Alan Bartholomae (the "Prodigy Defendants"). The lawsuit sought the recovery of an unspecified amount of damages from the Defendants whom the Plaintiffs alleged violated various Texas statutes and common laws in connection with the offer and sale of interests in various drilling programs to the Plaintiffs. The Prodigy Defendants filed a counterclaim against the Plaintiffs, alleging that the Plaintiffs had violated agreements with Prodigy Oil & Gas, LLC and Prodigy Exploration, Inc. and that the Plaintiff's claims had no merit. A settlement of this matter between the Plaintiffs and the Defendants was reached in June 2013.

On March 11, 2009, the Pennsylvania Securities Commission issued a Summary Order to Cease and Desist (the "Summary Order") against Prodigy Oil & Gas, LLC and its managing member, Mr. Shawn Bartholomae. The Summary Order was issued after allegations were made by the Commission that a Pennsylvania resident had been contacted concerning a drilling program sponsored by Prodigy Oil & Gas, LLC. The Summary Order was issued *ex parte*, that is, without notice beforehand to Prodigy Oil & Gas, LLC or Mr. Bartholomae. The parties named in the Summary Order chose not to contest the entry of the Summary Order due to the time, effort and expense that both believed would be incurred. The Summary Order recited, in part, that...

"The materials failed to disclose that on March 7, 2007, the Department of Corporations of the State of California issued a Desist and Refrain Order against Respondents Prodigy Oil & Gas, LLC and Bartholomae prohibiting them from making offers or sales of securities in the State of California unless they are qualified or exempt from qualification,"

and as such, violated the anti-fraud provisions of the Pennsylvania Securities Act.

Contrary to the allegations set forth in the Summary Order, the drilling program referenced in the Summary Order did, in fact, contain disclosure of the Order issued by the California Department of Corporations. It was unclear to Prodigy Oil & Gas, LLC and Mr. Bartholomae as to why the Pennsylvania Securities Commission recited this "failure to disclose," which clearly contradicted the written disclosures provided to prospective investors in the drilling program in question.

The Summary Order merely directs that Prodigy Oil & Gas, LLC and Mr. Bartholomae refrain from offering and selling interests in the specific drilling program referenced in the Summary Order in violation of the registration and anti-fraud provisions of the Pennsylvania Securities Act. The Summary Order did not, and does not, preclude Prodigy Oil & Gas, LLC or Mr. Bartholomae from engaging in activities in the State of Pennsylvania in compliance with Pennsylvania law.

DEFINITIONS

The following are the definitions of certain terms used in this Memorandum. Capitalized terms not defined here shall have the meanings defined in the Partnership Agreement.

Accredited Investor [whether or not capitalized]. A person meeting the definition of an accredited investor under Rule 506 of Regulation D under the Act, including any person who meets at least one of the following:

(1) Any natural person whose individual net worth (or joint net worth with that person's spouse) at the time of purchase exceeds $1,000,000, excluding the value of their primary residence and any associated mortgage, as long as the mortgage was not incurred within 60 days of the investment other than as part of the purchase of the residence, and including as a liability any amount of a mortgage that was incurred within 60 days of the investment other than as part of the purchase of the residence or to the extent it exceeds the fair market value of the residence; or

(2) Any natural person who had an individual income in excess of $200,000 (or $300,000 with that person's spouse) in each of the two most recent years and who reasonably expects an income in excess of $200,000 (or $300,000 with spouse) in the current year; or

(3) Any employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974 if the investment decision is made by a plan fiduciary as defined in Section 3(21) of such act, which is either a bank, savings and loan association, insurance company or registered investment adviser, or if the employee benefit plan has total assets in excess of $5,000,000, or if a self-directed plan with investment decisions made solely by persons that are accredited investors; or

(4) Any trust, with total assets in excess of $5,000,000, not formed for the specific purpose of acquiring the securities offered, whose purchase is directed by a sophisticated person; or

(5) Any revocable trust, where each grantor is accredited under (1) or (2) above; or

(6) Any corporation, business trust, partnership or similar entity, with total assets in excess of $5,000,000, not formed for the specific purpose of acquiring the securities offered; or

(7) Any entity in which all of the equity owners are accredited investors.

Act. The Securities Act of 1933, as amended.

Affiliate. The term affiliate, whether or not capitalized, shall mean (i) any person directly or indirectly controlling, controlled by, or under common control with, another person.

Capital Account. The capital account maintained by the Partnership for each of its partners.

Capital Call [whether or not capitalized]. A requirement by the Managing Partner that the partners make additional Capital Contributions.

Capital Contribution. The total amount of cash, fair market value, asset basis or deemed value of property or services contributed to the capital of the Partnership by any partner (or the predecessor holders of the interests of such partner).

Code. The Internal Revenue Code of 1986, as amended from time to time.

Event of Withdrawal. As to all partners, an Event of Withdrawal occurs when a partner: makes an assignment for the benefit of creditors; files a voluntary petition in bankruptcy; is adjudged a bankrupt or insolvent or has entered against such partner an order for relief in any bankruptcy or insolvency proceeding which order is not dissolved within 60 days; files a petition or answer or certificate seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief; files an answer or other pleading failing to contest the material allegations in any bankruptcy or insolvency proceeding; becomes subject to the appointment of a receiver or trustee or liquidator of all or a substantial part of the partner's property and fails to have such appointment vacated or stayed within 60 days of the appointment; has been expelled from the Partnership by a final judicial decree; is subject to any order or judgment not stayed within 30 days of issuance attaching or foreclosing upon any part of its Partnership Interest; or its controlling persons are listed as Specially Designated Nationals and Blocked Persons by the Office of Foreign Assets Control or are otherwise persons the Partnership is prohibited from doing business with; commences any proceeding adverse to the Partnership; or transfers any Partnership Interest, as to the interest transferred. As to a partner who is a natural person, an Event of Withdrawal also occurs upon the partner's death, the appointment of a guardian or general conservator for the partner or an adjudication of incompetency of the partner. As to a partner who is an entity, an Event of Withdrawal also occurs upon the termination, dissolution or cessation of business of the partner.

Gross Asset Value. For any asset, the asset's adjusted basis for federal income tax purposes, except as set forth below:

(a) The initial Gross Asset Value of any asset contributed by a partner to the Partnership shall be the gross fair market value of the asset on the date of determination, as determined by the contributing partner and the Partnership.

(b) The Gross Asset Values of all Partnership assets shall be adjusted to equal their gross fair market values, as determined by the Managing Partner, as of the following times: (1) the contribution of more than a de minimis amount of money or other property to the Partnership as a Capital Contribution by a new or existing partner, or the distribution by the Partnership to a retiring or continuing partner of more than a de minimis amount of property as consideration for an interest in the Partnership, if the Managing Partner reasonably determines that such adjustment is necessary or appropriate to reflect the relative economic interests of the partners in the Partnership; or (2) the liquidation of the Partnership within the meaning of the Regulations.

(c) The Gross Asset Values of Partnership assets shall be increased (or decreased) to reflect any adjustment to the adjusted basis of such assets pursuant to the Code, but only to the extent that such adjustments are taken into account in determining Capital Accounts pursuant to the Regulations; provided, however, that Gross Asset Values shall not be adjusted pursuant to this subparagraph (c) to the extent that an adjustment pursuant to subparagraph (b) above is necessary or appropriate in connection with a transaction that would otherwise result in an adjustment pursuant to this subparagraph (c).

(d) If the Gross Asset Value of an asset has been determined or adjusted pursuant to subparagraph (a), (b) or (c), above, such Gross Asset Value shall thereafter be adjusted by the book depreciation taken into account with respect to such asset for purposes of computing profits and losses.

(e) The Gross Asset Value of any Partnership asset distributed to any partner shall be the gross fair market value of such asset on the date of distribution.

(f) Gain or loss resulting from any disposition of property with respect to which gain or loss is recognized for federal income tax purposes shall be computed by reference to the Gross Asset Value of the property disposed of, notwithstanding that the adjusted tax basis of the property differs from the Gross Asset Value of the property.

IRS. The United States Internal Revenue Service, including any department, division or agent thereof.

Investor Partner. Any Limited Partner other than ProAK (if its interest is converted to a limited partner interest) and persons who are assigned a Partnership Interest from ProAK out of its Net Distribution Interest.

Kitchen Lights Lease Area. Six State of Alaska competitive oil and gas leases identified as lease numbers 389927, 389928, 389929, 389930, 390374, and 390381, covering lands located in Cook Inlet, Kenai Peninsula Borough and Municipality of Anchorage, Alaska. These leases are currently part of the Kitchen Lights Unit, although the Kitchen Lights Unit covers a much larger area.

Limited Partner [whether or not capitalized]. A person who executes or adopts the Partnership Agreement, or a counterpart, as a Limited Partner and is accepted by the Managing Partner as such, any general partner who is converted to a Limited Partner and any person who becomes a substituted Limited Partner.

Majority-in-Interest. The affirmative vote or written consent of Partners holding fifty-one percent (51%) or more of the outstanding Partnership Interests, excluding any Net Distribution Interest held by the Managing Partner or its assignees, calculated as of a date chosen by the Managing Partner in its discretion but not more than thirty (30) days before the date such determination is effective. Transferees who have not been admitted as Partners shall not be entitled to vote for the purpose of determining a Majority-in-Interest. ProAK shall be entitled to vote any Partnership Interest it holds as a Limited Partner.

Managing Partner. ProAK, LLC, a Texas limited liability company, which will be the sole general partner and the Managing Partner of the Partnership.

Memorandum. This Confidential Private Placement Memorandum.

Net Cash Flow. Cash revenues from any source paid into the Partnership during a given twelve month period after payment of any ad valorem, severance or similar taxes, minus the annual management fee and any Third Party Expenses incurred by the Partnership during the same twelve month period.

Net Distribution Interest. An interest in the net positive cash flow received by the Partnership from all income sources excluding only Capital Contributions, prior to accounting for non-cash items such as depletion, depreciation or amortization, and after payment of all obligations and expenses, including without limitation, the management fee and Third Party Expenses.

Northern Lights ORRI. The royalty interest to be acquired by the Partnership in the Kitchen Lights Lease Area.

Organization and Offering Expenses. Costs and expenses paid on a non-accountable basis to the Managing Partner in connection with the organization of the Partnership and offering of Partnership Interests, including, without limitation, legal, printing, accounting, rent, personnel, travel costs, filing fees, marketing expenses, due diligence, and all other such expenses of the Managing Partner.

Partnership. Northern Lights Royalties III LP, a limited partnership formed under the laws of the State of Texas, and any successor person.

Partnership Agreement: the limited partnership agreement of the Partnership, including all amendments adopted in accordance with the Partnership Agreement and the Texas BOC.

Partnership Interest. An equity owner's (a) share of the Partnership's net profits, net loss and distributions pursuant to this Agreement and the Texas BOC; (b) share in allocations of income, gain, loss, deduction, credit or similar items; (c) Capital Account; and, (d) in the case of Partnership Interests owned by partners, the right to participate in the management or affairs of the Partnership as provided in the Partnership Agreement. The initial Partnership Interest of an Investor Partner is calculated on the Capital Contributions made by an Investor Partner as a percentage of all Capital Contributions by all Investor Partners, times eighty-five percent (85%), subject to any waiver of Organization and Offering Expenses.

Person [whether or not capitalized]. An individual, trust, estate, or any incorporated or unincorporated entity, including any general or limited partnership, limited liability company, corporation, joint venture, association, cooperative, government or governmental subdivision or agency and any other legally cognizable

entity, and all heirs, executors, administrators, legal representatives, successors and assigns of such person where permitted or required by the context.

ProAK. ProAK, LLC, a Texas limited liability company, which will be the sole general partner and the Managing Partner of the Partnership. In some instances in this Memorandum, ProAK refers to ProAK, LLC acting in its own capacity or interest and not acting as the Managing Partner of the Partnership.

Regulation D. Rules 501 through 507 of the Securities and Exchange Commission as adopted pursuant to Section 4(a)(2) of the Act.

Regulations. The permanent, temporary, or proposed and temporary regulations of Department of the Treasury under the Code as such regulations may be lawfully changed from time to time.

Royalty Interest [whether or not capitalized]. An interest in oil and gas produced from an oil and gas lease, or the proceeds from the sale of such production, to be received free of substantially all of the costs of development, operation and maintenance. As used in this Memorandum, a royalty interest shall include any overriding royalty interest, profits or production interest, other interest in an oil and gas lease or any similar interest in real property or agreements regarding oil, gas or other minerals.

Royalty Interest Acquisition Costs. As to any Royalty Interest acquired from an Affiliate, the net amount paid to the Affiliate, excluding any brokers' fees and commissions, abstracting costs, title examination or filing fees, engineering or similar costs. As to any Royalty Interest acquired from a non-affiliated person, those payments and expenses incurred in connection with the acquisition of a Royalty Interest, including, but not limited to, lease bonuses, brokers' fees and commissions, abstracting costs, title examination and filing fees, costs incurred in curing or defending title, capitalized screening, seismic, geological and geophysical expenses, landman and title research, and engineering expenses incident to either the evaluation or the acquisition of a Royalty Interest. Royalty Interest Acquisition Costs regarding a royalty interest proposed to be acquired from a non-affiliated person may include costs incurred to evaluate a property which is not acquired.

SEC. The Securities and Exchange Commission.

Texas BOC. The Texas Business Organizations Code and all amendments to such code or successor statutes or codes.

Third Party Expenses [whether or not capitalized]. All fees and expenses actually and necessarily incurred by the Partnership or by the Managing Partner on behalf of the Partnership for services rendered by non-affiliated parties in connection with the operation of the Partnership, including without limitation expenses of preparation and mailing of tax returns to partners; legal, accounting and other professional fees for services rendered to the Partnership other than those characterized as Organization and Offering Expenses; expenses paid to third parties for maintaining a website and communicating with Partners; expenses of obtaining independent engineering, geologic or scientific evaluations from third parties; data service subscriptions and other research expenses; expenses of organizing, operating and winding up any special purpose entities or subsidiaries; expenses of litigation and settlement, including any indemnification expenses; ad valorem, severance and similar taxes; extraordinary expenses; and all similar fees and expenses for services rendered by non-affiliated parties to the Partnership or to the Managing Partner on behalf of the Partnership. Third Party Expenses shall not include any portion of the expense for office facilities used by, or provided by the Managing Partner to, the Partnership, and shall not include any compensation to personnel of the Managing Partner or its Affiliates for services rendered to the Partnership. Third Party Expenses shall not include Organization and Offering Expenses or Royalty Interest Acquisition Costs.

Exhibit A Northern Lights Royalties III LP Agreement
Exhibit B.....Subscription Documents
Exhibit C.....Information about Kitchen Lights Lease Area

Northern Lights Royalties III LP
ProAK, LLC, General Partner
660 W. Southlake Blvd., Suite 200
Southlake, Texas 76092
Telephone: (972) 506-0909

NORTHERN LIGHTS ROYALTIES III LP

AGREEMENT OF LIMITED PARTNERSHIP

EXHIBIT A TO CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM

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THE PARTNERSHIP INTERESTS IN THIS PARTNERSHIP HAVE NOT BEEN REGISTERED WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, ANY STATE SECURITIES LAWS, OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION, IN RELIANCE UPON EXEMPTIONS FROM REGISTRATION AS PROVIDED IN THOSE LAWS AND THE RULES AND REGULATIONS PROMULGATED THEREUNDER. THE PLEDGE, SALE OR OTHER DISPOSITION OF THE INTERESTS IS RESTRICTED, AS SET FORTH IN THIS AGREEMENT OF LIMITED PARTNERSHIP, AND THE EFFECTIVENESS OF ANY SUCH SALE OR OTHER DISPOSITION MAY BE CONDITIONED UPON RECEIPT BY THE PARTNERSHIP OF A WRITTEN OPINION OF COUNSEL SATISFACTORY TO THE PARTNERSHIP AND ITS COUNSEL THAT SUCH SALE OR OTHER DISPOSITION CAN BE MADE WITHOUT REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION.

AGREEMENT OF LIMITED PARTNERSHIP

OF

NORTHERN LIGHTS ROYALTIES III LP
A TEXAS LIMITED PARTNERSHIP

This Agreement of Limited Partnership (Agreement) is made and entered into by and among ProAk, LLC, a Texas limited liability company (ProAk), as general partner (when acting in its capacity as the managing general partner of the Partnership, the "Managing Partner"), the Initial Limited Partner identified below, and those persons who execute or adopt this Agreement or counterparts as Limited Partners (the Limited Partners). The Managing Partner and the Limited Partners are sometimes referred to individually as a "Partner" and collectively as the "Partners." Capitalized terms and specialized terms used in the oil and gas business shall have the meanings set out in Article II.

ARTICLE I
FORMATION; BUSINESS OF PARTNERSHIP

1.01 FORMATION. The parties hereby form a limited partnership (the Partnership) under and pursuant to the provisions of the Texas Business Organizations Code (the Texas BOC).

1.02 NAME. The name of the Partnership shall be Northern Lights Royalties III LP. The Managing Partner may adopt such trade or fictitious names as it may deem appropriate.

1.03 PRINCIPAL PLACE OF BUSINESS. The principal place of business of the Partnership is located at 660 W. Southlake Blvd., Suite 200, Southlake, Texas 76092. The Managing Partner may in its discretion change the principal place of business or establish other places of business of the Partnership.

1.04 REGISTERED OFFICE AND REGISTERED AGENT. The Partnership's registered agent and office in Texas shall be ProAk, LLC, 660 W. Southlake Blvd., Suite 200, Southlake, Texas 76092. The Managing Partner may in its discretion change the registered office and registered agent from time to time pursuant to the Texas BOC and the applicable rules promulgated thereunder, and shall promptly notify the Limited Partners of any change.

1.05 TERM. The term of the Partnership shall commence on the date the Certificate of Formation was filed with the Secretary of State of Texas and shall continue until the Partnership is dissolved and its affairs wound up in accordance with the provisions of this Agreement and the Texas BOC.

1.06 BUSINESS OF PARTNERSHIP. The Partnership shall have the authority to engage in any activities permitted generally to limited partnerships, and shall have all powers necessary or incident to such authority. The business of the Partnership shall be to locate, analyze, acquire, manage and sell oil and gas Royalty Interests and

other assets related to the Royalty Interests, including delivery and hedging contracts. The Partnership may, without limitation, acquire Royalty Interests as sole owner or in participation with affiliates or non-affiliated parties and dispose of production from Royalty Interests. The Partnership shall not engage in any significant activity other than those described in this section without the consent of a Majority-in-Interest.

1.07 PARTNERSHIP CLASSIFICATION. The Managing Partner shall establish and use its best efforts to maintain the classification of the Partnership as a partnership for United States federal income tax purposes. Each Partner agrees that it will not take any position or any action or make any election inconsistent with the classification of the Partnership as a partnership.

ARTICLE II
DEFINITIONS; GLOSSARY

2.01 DEFINITIONS. For the purposes of this Agreement, unless the context clearly indicates otherwise, the following terms shall have the following meanings:

Accredited Investor [whether or not capitalized]. A person meeting the definition of an accredited investor under Rule 506 of Regulation D under the Act, including any person who meets at least one of the following:

(1) Any natural person whose individual net worth (or joint net worth with that person's spouse) at the time of purchase exceeds $1,000,000, excluding the value of their primary residence and any associated mortgage, as long as the mortgage was not incurred within 60 days of the investment other than as part of the purchase of the residence, and including as a liability any amount of a mortgage that was incurred within 60 days of the investment other than as part of the purchase of the residence or to the extent it exceeds the fair market value of the residence; or

(2) Any natural person who had an individual income in excess of $200,000 (or $300,000 with that person's spouse) in each of the two most recent years and who reasonably expects an income in excess of $200,000 (or $300,000 with spouse) in the current year; or

(3) Any employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974 if the investment decision is made by a plan fiduciary as defined in Section 3(21) of such act, which is either a bank, savings and loan association, insurance company or registered investment adviser, or if the employee benefit plan has total assets in excess of $5,000,000, or if a self-directed plan with investment decisions made solely by persons that are accredited investors; or

(4) Any trust, with total assets in excess of $5,000,000, not formed for the specific purpose of acquiring the securities offered, whose purchase is directed by a sophisticated person; or

(5) Any revocable trust, where each grantor is accredited under (1) or (2) above; or

(6) Any corporation, business trust, partnership or similar entity, with total assets in excess of $5,000,000, not formed for the specific purpose of acquiring the securities offered; or

(7) Any entity in which all of the equity owners are accredited investors.

Adjusted Capital Account Deficit. With respect to any Partner, the deficit balance, if any, in such Partner's Capital Account as of the end of the relevant tax year, after giving effect to the adjustments required by this Agreement or the Code or Regulations.

Affiliate [whether or not capitalized]. Any person controlling, controlled by, or under common control with another person.

Agreement. This Agreement including all amendments adopted in accordance with this Agreement and the Texas BOC.

Book Depreciation. For any asset for any fiscal period, an amount that bears the same ratio to the Gross Asset Value of that asset at the beginning of such fiscal period as the federal income tax depreciation, amortization, simulated depletion (with respect to oil and gas properties), or other cost recovery deduction allowable for that asset for such period bears to the adjusted tax basis of that asset at the beginning of such period. If the federal income tax depreciation, amortization, simulated depletion (with respect to oil and gas properties), or other cost recovery deduction allowable for any asset for such period is zero, then Book Depreciation for that asset shall be determined with reference to such beginning Gross Asset Value using any reasonable method selected by the Managing Partner.

Capital Account. The account maintained for a Partner or transferee as provided in Article IV.

Capital Call. As provided in section 4.02.

Capital Contribution. The total amount of cash, fair market value, asset basis or deemed value of property or services contributed to the capital of the Partnership by any Partner (or the predecessor holders of the interests of such Partner).

Code. The Internal Revenue Code of 1986, as amended from time to time.

Event of Withdrawal. As to all partners, an Event of Withdrawal occurs when a partner: makes an assignment for the benefit of creditors; files a voluntary petition in bankruptcy; is adjudged a bankrupt or insolvent or has entered against such partner an order for relief in any bankruptcy or insolvency proceeding which order is not dissolved within 60 days; files a petition or answer or certificate seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief; files an answer or other pleading failing to contest the material allegations in any bankruptcy or insolvency proceeding; becomes subject to the appointment of a receiver or trustee or liquidator of all or a substantial part of the partner's property and fails to have such appointment vacated or stayed within 60 days of the appointment; has been expelled from the Partnership by a final judicial decree; is subject to any order or judgment not stayed within 30 days of issuance attaching or foreclosing upon any part of its Partnership Interest; or its controlling persons are listed as Specially Designated Nationals and Blocked Persons by the Office of Foreign Assets Control or are otherwise persons the Partnership is prohibited from doing business with; commences any proceeding adverse to the Partnership; or transfers any Partnership Interest, as to the interest transferred. As to a partner who is a natural person, an Event of Withdrawal also occurs upon the partner's death, the appointment of a guardian or general conservator for the partner or an adjudication of incompetency of the partner. As to a partner who is an entity, an Event of Withdrawal also occurs upon the termination, dissolution or cessation of business of the partner.

Executive Rights. Executive Rights include, without limitation, the right to collect any and all bonuses, delay rentals, shut in rental and royalty payments and all other payments made under any of the Royalty Interests, the right to grant, amend, ratify, correct or otherwise modify any oil, gas or mineral lease or real property conveyance involving any of the Royalty Interests, the right to agree to and to execute pooling agreements or unitization agreements or modifications or ratifications thereof, the right to agree to and to execute division orders or amended or corrected division orders, the right to agree to, execute and deliver or record corrective deeds, the right to execute transfer orders or stipulations of interest covering any of the Royalty Interests, the right to agree to and to execute any and all documents or instruments necessary or appropriate to cure existing or after-discovered title defects affecting the Royalty Interests, and any other similar executive rights incident to ownership of Royalty Interests.

Gross Asset Value. For any asset, the asset's adjusted basis for federal income tax purposes, except as set forth below:

(a) The initial Gross Asset Value of any asset contributed by a partner to the Partnership shall be the gross fair market value of the asset on the date of determination, as determined by the contributing partner and the Partnership.

(b) The Gross Asset Values of all Partnership assets shall be adjusted to equal their gross fair market values, as determined by the Managing Partner, as of the following times: (1) the contribution of more than a de minimis amount of money or other property to the Partnership as a Capital Contribution by a new or

existing partner, or the distribution by the Partnership to a retiring or continuing partner of more than a de minimis amount of property as consideration for an interest in the Partnership, if the Managing Partner reasonably determines that such adjustment is necessary or appropriate to reflect the relative economic interests of the partners in the Partnership; or (2) the liquidation of the Partnership within the meaning of the Regulations.

(c) The Gross Asset Values of Partnership assets shall be increased (or decreased) to reflect any adjustment to the adjusted basis of such assets pursuant to the Code, but only to the extent that such adjustments are taken into account in determining Capital Accounts pursuant to the Regulations; provided, however, that Gross Asset Values shall not be adjusted pursuant to this subparagraph (c) to the extent that an adjustment pursuant to subparagraph (b) above is necessary or appropriate in connection with a transaction that would otherwise result in an adjustment pursuant to this subparagraph (c).

(d) If the Gross Asset Value of an asset has been determined or adjusted pursuant to subparagraph (a), (b) or (c), above, such Gross Asset Value shall thereafter be adjusted by the Book Depreciation taken into account with respect to such asset for purposes of computing profits and losses.

(e) The Gross Asset Value of any Partnership asset distributed to any partner shall be the gross fair market value of such asset on the date of distribution.

(f) Gain or loss resulting from any disposition of property with respect to which gain or loss is recognized for federal income tax purposes shall be computed by reference to the Gross Asset Value of the property disposed of, notwithstanding that the adjusted tax basis of the property differs from the Gross Asset Value of the property.

Investor Partner. Any Limited Partner other than ProAK (if its interest is converted to a limited partner interest) and persons who are assigned a Partnership Interest from ProAK out of its Net Distribution Interest.

Limited Partner. A person who executes or adopts this Agreement, or a counterpart hereof, as a Limited Partner and is accepted by the Managing Partner as such, any general partner who is converted to a Limited Partner and any person who becomes a substituted Limited Partner in accordance with the terms hereof.

Majority-in-Interest. The affirmative vote or written consent of Partners holding fifty-one percent (51%) or more of the outstanding Partnership Interests, excluding any Net Distribution Interest held by the Managing Partner or its assignees, calculated as of a date chosen by the Managing Partner in its discretion but not more than thirty (30) days before the date such determination is effective. Transferees who have not been admitted as Partners shall not be entitled to vote for the purpose of determining a Majority-in-Interest. ProAK shall be entitled to vote any Partnership Interest it holds as a Limited Partner.

Managing Partner. ProAk, LLC, a Texas limited liability company, which shall be a general partner and the Managing Partner of the Partnership.

Net Cash Flow. Cash revenues from any source paid into the Partnership during a given twelve month period after payment of any ad valorem, severance or similar taxes, minus the annual management fee and any Third Party Expenses incurred by the Partnership during the same twelve month period.

Net Distribution Interest. An interest in the net positive cash flow received by the Partnership from all income sources excluding only Capital Contributions, prior to accounting for non-cash items such as depletion, depreciation or amortization, and after payment of all obligations and expenses, including without limitation, the management fee and Third Party Expenses.

Organization and Offering Expenses. Costs and expenses paid or incurred by the Managing Partner in connection with the organization of the Partnership and offering of Partnership Interests, including, without limitation, legal, printing, accounting, rent, personnel, travel costs, filing fees, marketing expenses, due diligence, and all other such expenses of the Managing Partner.

Partnership. Northern Lights Royalties III LP, a limited partnership formed under the laws of the State of Texas, and any successor person.

Partnership Interest. An equity owner's (a) share of the Partnership's net profits, net loss and distributions pursuant to this Agreement and the Texas BOC; (b) share in allocations of income, gain, loss, deduction, credit or similar items; (c) Capital Account; and, (d) in the case of Partnership Interests owned by Partners, the right to participate in the management or affairs of the Partnership as provided in this Agreement. The initial Partnership Interest of an Investor Partner is calculated on the Capital Contributions made by an Investor Partner as a percentage of all Capital Contributions by all Investor Partners, times eighty-five percent (85%), subject to adjustment for any waiver of Organization and Offering Expenses.

Person [whether or not capitalized]. An individual, trust, estate, or any incorporated or unincorporated entity, including any general or limited partnership, limited liability company, corporation, joint venture, association, cooperative, government or governmental subdivision or agency and any other legally cognizable entity, and all heirs, executors, administrators, legal representatives, successors and assigns of such person where permitted or required by the context.

ProAK. ProAk, LLC, a Texas limited liability company, which shall be a general partner for so long as it is the Managing Partner of the Partnership.

Proceeding. Any administrative, judicial, or other proceeding, including, without limitation, litigation, arbitration, administrative adjudication, mediation, any investigation that could lead to a proceeding, and appeal or review of any of the foregoing. A proceeding shall also include any governmental or quasi-governmental process by which rights are granted, established or terminated.

Regulations. The permanent, temporary, or proposed and temporary regulations of Department of the Treasury under the Code as such regulations may be lawfully changed from time to time.

Royalty Interest [whether or not capitalized]. A royalty interest is an interest in oil and gas produced from an oil and gas lease, or the proceeds from the sale of such production, to be received free of substantially all of the costs of development, operation and maintenance. As used in this Agreement, a royalty interest shall include any overriding royalty interest, profits or production interest, other interest in an oil and gas lease or any similar interest in real property or agreements regarding oil, gas or other minerals.

Royalty Interest Acquisition Costs. As to any Royalty Interest acquired from an Affiliate, the net amount paid to the Affiliate, excluding any brokers' fees and commissions, abstracting costs, title examination or filing fees, engineering or similar costs. As to any Royalty Interest acquired from a non-affiliated person, those payments and expenses incurred in connection with the acquisition of a Royalty Interest, including, but not limited to, lease bonuses, brokers' fees and commissions, abstracting costs, title examination and filing fees, costs incurred in curing or defending title, capitalized screening, seismic, geological and geophysical expenses, landman and title research, and engineering expenses incident to either the evaluation or the acquisition of a Royalty Interest. Royalty Interest Acquisition Costs regarding a royalty interest proposed to be acquired from a non-affiliated person may include costs incurred to evaluate a property which is not acquired.

Securities Act. The Securities Act of 1933, as amended.

Target Capital Account Amount. As described in Section 8.02.

Texas BOC. The Texas Business Organizations Code and all amendments to such act or successor statutes or codes.

Third Party Expenses [whether or not capitalized]. All fees and expenses actually and necessarily incurred by the Partnership or by the Managing Partner on behalf of the Partnership for services rendered by non-affiliated parties in connection with the operation of the Partnership, including without limitation expenses of preparation and mailing of tax returns to partners; legal, accounting and other professional fees for services rendered to the Partnership other than those characterized as Organization and Offering Expenses; expenses paid to third parties for

maintaining a website and communicating with Partners; expenses of obtaining independent engineering, geologic or scientific evaluations from third parties; data service subscriptions and other research expenses; expenses of organizing, operating and winding up any special purpose entities or subsidiaries; expenses of litigation and settlement including any indemnification expenses; ad valorem, severance and similar taxes; extraordinary expenses; and all similar fees and expenses for services rendered by non-affiliated parties to the Partnership or to the Managing Partner on behalf of the Partnership. Third Party Expenses shall not include any portion of the expense for office facilities used by, or provided by the Managing Partner to, the Partnership, and shall not include any compensation to personnel of the Managing Partner or its Affiliates for services rendered to the Partnership. Third Party Expenses shall not include Organization and Offering Expenses or Royalty Interest Acquisition Costs.

Transfer. A transfer includes any sale, assignment, pledge, hypothecation, exchange or other transaction in which any record or beneficial interest in a Partnership Interest is pledged or transferred to another person and includes any transfer by operation of law in connection with a probate, bankruptcy, receivership, divorce, guardianship or similar proceeding.

2.02 INTERPRETATION. Each gender shall include all other genders. The singular shall include the plural and vice versa, as required by the context. Each reference to a law, code, rule or regulation shall mean that law, code, rule or regulation, as amended from time to time, and as interpreted by rule, regulation, administrative opinion or judicial opinion. References to a "section" or a "subsection" are, unless otherwise specified, to a section or a subsection of this Agreement. Captions contained in this Agreement are inserted only as a matter of convenience and in no way define, limit or extend or otherwise affect the scope or intent of this Agreement or any provision hereof.

2.03 FISCAL YEAR. The fiscal year and taxable year of the Partnership shall end on December 31 of each calendar year.

2.04 MANAGING PARTNER'S STANDARD OF CARE. Whenever in this Agreement the Managing Partner is permitted or required to make a decision in its "discretion" or under a grant of similar authority or latitude, the Managing Partner shall be entitled to consider such interests and factors as it desires, including its own interests and the interests of its affiliates, and shall have no duty or obligation to give any consideration to any interest of or factors affecting one Partner unless affecting all Partners. Whenever in this Agreement the Managing Partner is permitted or required to make a decision in its "good faith" or under another express standard, the Managing Partner shall act under such express standards and shall not be subject to any other or different standards imposed by law or any other agreement contemplated herein. The Managing Partner understands that, as a Managing Partner, it has a fiduciary duty to treat all Investor Partners in the Partnership fairly and to place the interests of the Investor Partners ahead of those of the Managing Partner.

ARTICLE III
ADMISSION OF PARTNERS AND CAPITAL CONTRIBUTIONS

3.01 INITIAL PARTNERS. The initial Partners shall be ProAk as the Managing Partner and a general partner, and the Initial Limited Partner identified below. Upon the admission of the first additional Limited Partner, the Partnership Interest of the Initial Limited Partner shall be redeemed by the Partnership for the amount of any Capital Contribution made by the Initial Limited Partner, and the Initial Limited Partner shall cease to be a Limited Partner regarding that Partnership Interest. ProAk has been issued a fifteen percent (15%) Net Distribution Interest in exchange for the grant of a perpetual, non-exclusive, non-transferable, royalty-free license to use the proprietary intellectual property heretofore developed by ProAk and its Affiliates relating to the Royalty Interests to be acquired by the Partnership. ProAk may not sell all or any part of its 15% Net Distribution Interest to the Partnership without an affirmative vote of a Majority-in-Interest of the Partnership. ProAk may reallocate all or any part of such Net Distribution Interest at any time or from time to time, including to any person who is not at the time a Partner in the Partnership, whereupon such person shall be deemed admitted as a Limited Partner in the Partnership without the approval of the Managing Partner or any other Partner and without compliance with any other provision of this Agreement except that the person must provide a written adoption or execution of this Agreement and provide its taxpayer identification number and any other information required by the Managing Partner to file required tax

returns or to comply with any currency transaction laws, financial privacy laws, anti-money laundering laws or similar laws. ProAk shall retain all copyright, trademark, licensing and intellectual property rights to the name Northern Lights and to other intellectual property developed or used in the management of the Partnership.

3.02 ADMISSION OF ADDITIONAL PARTNERS.

(a) Admission of Investor Partners in initial offering. The Managing Partner may issue Partnership Interests in the initial offering for a minimum Capital Contribution of $25,000, which minimum may be reduced or waived in the discretion of the Managing Partner. The Managing Partner shall admit those persons investing in the initial offering as Investor Partners. The Managing Partner may accept Capital Contributions in the initial offering as provided in the offering memorandum, including any amendment.

(b) Admission of additional Investor Partners. The Managing Partner may issue Partnership Interests and admit persons as new Investor Partners, at any time or from time to time after the initial offering of Partnership Interests has terminated upon such terms and for such consideration as the Managing Partner shall propose and as shall be approved by a Majority-in-Interest. The Partnership Interests issued to such additional Investor Partners are not required to be proportionate to the Capital Contributions for previously issued Partnership Interests. No Partner shall have any preferential or preemptive rights to acquire Partnership Interests or other debt or equity securities issued by the Partnership. Upon the admission of any additional Investor Partner, the Partnership Interest of each Investor Partner shall be recalculated.

3.03 PARTNERSHIP INTERESTS.

(a) Calculation of Partnership Interests. The Partnership Interest of each Investor Partner admitted in the initial offering shall be based on the ratio of (i) the Capital Contribution made by such Investor Partner, to (ii) the aggregate Capital Contributions made by all Investor Partners in such offering, subject to adjustment for any waiver of Organization and Offering Expenses. The Partnership Interest of each Investor Partner admitted following the termination of the initial offering shall be determined by the Managing Partner upon the admission of such Investor Partner by determining the ratio of (i) the Capital Contribution made by the newly admitted Investor Partner to (ii) the Capital Accounts of all Investor Partners, unless a different formula is approved by a Majority-in-Interest.

(b) Additional Classes of Partnership Interests. The Partnership may, by a Majority-in-Interest, classify outstanding Partnership Interests and/or create additional classes or series of Partnership Interests having such relative rights, powers and duties as the Partnership may establish, including rights, powers and duties senior to existing classes and series of Partnership Interests.

(c) Issued Partnership Interests. Partnership Interests shall be deemed issued only upon payment of any required Capital Contribution for such Partnership Interest and acceptance by the Managing Partner of the person as a Partner. Exhibit A attached hereto contains the name of each Partner holding a Partnership Interest. Exhibit A shall be amended from time to time to reflect changes in the Partners or the ownership of Partnership Interests, and any such amendment shall not be deemed an amendment of this Agreement requiring a consent of the Partners.

(d) Partnership Interests Uncertificated. Partnership Interests issued by the Partnership shall not be represented by certificates. The books and records of the Partnership shall be prima facie evidence of the identity of Partners or transferees and the Partnership Interests held by each.

ARTICLE IV
CAPITAL ACCOUNTS

4.01 CAPITAL ACCOUNT MAINTENANCE. An individual Capital Account shall be established and maintained by the Partnership for each Partner in accordance with the applicable provisions of the Regulations.

(a) The Capital Account of each Partner shall be credited with (i) an amount equal to such Partner's Capital Contributions including the fair market value of property contributed to the Partnership by such Partner, (ii)

such Partner's allocable share of the Partnership's items of income and gain, (iii) the amount of any Partnership liabilities assumed by such Partner or that are secured by property distributed to such Partner, and (iv) any other item of income or gain, including simulated gain, allocated to him pursuant to this Agreement.

(b) The Capital Account of each Partner shall be debited by (i) the amount of cash and the fair value of property distributed to such Partner, (ii) such Partner's allocable share of the Partnership's items of loss and deduction, (iii) the amount of any liabilities of such Partner assumed by the Partnership or that are secured by any property contributed by such Partner to the Partnership, and (iv) any other item of loss or deduction, including simulated depletion and simulated loss, allocated to him pursuant to this Agreement.

(c) Except as otherwise provided in this Agreement, whenever it is necessary to determine the Capital Account of any Partner, the Capital Account of the Partner shall be determined after giving effect to all allocations of profits, simulated gains, income, gains, losses, deductions, simulated losses, simulated depletion, and distributions of the Partnership in respect of transactions effected prior to the date as of which such determination is to be made.

(d) The Managing Partner is authorized to modify the manner in which the Capital Accounts are maintained if the Managing Partner determines that such modification (i) is required or prudent to comply with the Code or Regulations and (ii) is not likely to have a material effect on the amounts distributable to any Partner upon the dissolution of the Partnership.

4.02 CAPITAL CONTRIBUTIONS AND CAPITAL CALLS.

(a) **Initial Capital Contributions.** Each Investor Partner who invests in the initial offering of Partnership Interests shall make an initial Capital Contribution in accordance with Section 3.02(a). Each Investor Partner who invests following the initial offering of Partnership Interests shall make an initial Capital Contribution in accordance with Section 3.02(b). The Managing Partner is specifically authorized to accept a Capital Contribution in any form of property or subject to any other contingencies as the Managing Partner shall determine in its discretion.

(b) **Subsequent Capital Contributions.** An Investor Partner may make a Capital Contribution at any time(s) subsequent to its initial Capital Contribution upon terms offered by the Managing Partner. Unless otherwise agreed between such Investor Partner and the Managing Partner, a due diligence fee and sales commission or placement fee regarding such subsequent Capital Contribution may be paid to any broker/dealer through whom the Investor Partner made their initial investment, and the amount of any such fees or commissions shall be allocated to the Capital Account of such Investor Partner. In addition, such Capital Contribution shall be subject to a reallocation of Organization and Offering Costs.

(c) **Capital Calls.** The Partnership anticipates that it will make annual Capital Calls on the Investor Partners to pay the management fee and Third Party Expenses incurred by the Partnership, until the Partnership begins receiving payments from production. The Managing Partner is authorized to make Capital Calls on the Investor Partners from time to time. The Managing Partner shall not make a Capital Call on one Investor Partner without making a Capital Call on all Investor Partners. The Managing Partner shall make any Capital Call on the Investor Partners in proportion to Partnership Interests held. The Partnership Interests of all Investor Partners shall be adjusted and readjusted from time to time to reflect additional Capital Contributions pursuant to a Capital Call. The Managing Partner may make such Capital Calls only for payment of the management fee and Third Party Expenses incurred by the Partnership. The Managing Partner is specifically authorized to use revenues of the Partnership for payment of such expenses and costs in lieu of or in addition to making any Capital Call.

(d) **Making of Capital Calls.** The Managing Partner shall make each Capital Call in the manner provided for giving notice under this Agreement. The Managing Partner shall state in each Capital Call the dollar amount of the Capital Call and the date [which may not be earlier than ten days after the date of the Capital Call] by which good funds must be received by the Managing Partner. The Managing Partner shall specify the intended use of the proceeds of a Capital Call. The Managing Partner may delay payment of a Capital Call as to any Investor Partner without being required to delay payment regarding any other Investor Partner.

(e) **Failure to Pay Capital Call**. If an Investor Partner fails to timely pay a Capital Call before or after the Partnership has begun receiving payments from production, the unpaid amount of any Capital Call shall bear interest at an annual rate of 18% from the date due until paid, and the Partnership shall have the right to offset the entire amount of unpaid Capital Calls and any accrued interest thereon against any distribution otherwise due to the defaulting Investor Partner. If an Investor Partner fails to timely pay three or more Capital Calls, whether or not such defaults are as to successive Capital Calls, the Managing Partner, in its discretion, may, but shall not be obligated to, declare the defaulting Investor Partner's entire Partnership Interest forfeited to the Partnership, to be reallocated among the remaining Investor Partners in proportion to their Partnership Interest, or the Managing Partner may, in its discretion, cause the defaulting Investor Partner's entire Partnership Interest to be redeemed for the amount of any unpaid Capital Calls and accrued interest thereon, offset such redemption payment against such unpaid Capital Calls and accrued interest thereon and any other liabilities such Investor Partner owes to the Partnership, and thereafter offer such redeemed Partnership Interest to any other Investor Partner or third party for such price and on such terms as the Managing Partner shall determine in its sole discretion.

4.03 LOANS TO PARTNERSHIP. To the extent approved by the Managing Partner, any Partner may make a secured or unsecured loan to the Partnership, and such loan shall not be deemed a Capital Contribution.

4.04 RETURN OF CAPITAL/INTEREST ON CAPITAL. Except upon dissolution and liquidation of the Partnership, there is no agreement for, nor time set for, return of any Capital Contribution of any Partner or distribution of the Capital Account to any Partner. No Partner shall have the right to withdraw its Capital Contributions or Capital Account. No Partner shall be entitled to receive interest on the amount of any Capital Contribution or Capital Account.

4.05 NO RIGHT OF PARTITION. Each Partner expressly waives any right such Partner might have to cause a partition or other distribution of property to it except as otherwise expressly set forth in this Agreement.

ARTICLE V
Rights and Duties of Managing Partner

5.01 MANAGEMENT. The Managing Partner shall have full, exclusive, and complete discretion in the management and control of the Partnership, except as specifically limited by this Agreement. No person, firm, or corporation dealing with the Partnership shall be required to inquire into the authority of the Managing Partner to take any action or make any decision. The Managing Partner shall manage and control the affairs of the Partnership in a careful and prudent manner and in accordance with good industry practice, and shall use its reasonable best efforts to carry out the purposes of the Partnership.

5.02 ACTIONS REQUIRING CONSENT OF A MAJORITY-IN-INTEREST. Each of the following actions taken by the Partnership shall require the consent of a Majority-in-Interest:

a. any borrowing by the Partnership in an aggregate amount of loans outstanding exceeding the lesser of 20% of Capital Contributions or $1,200,000 at any time;

b. entering into any contract or agreement that might reasonably impose an obligation or liability on the Partnership in excess of $500,000, excluding any Royalty Interest Acquisition Costs or hedging operations conducted to protect the Partnership; or

c. settlement of any Proceeding for any amount to be paid by the Partnership in excess of $500,000.

5.03 ACTIONS OF THE MANAGING PARTNER NOT REQUIRING CONSENT OF A MAJORITY-IN-INTEREST. The Managing Partner is expressly authorized to do or cause to be done if necessary or appropriate each of the following on behalf of the Partnership and on behalf of any other entity managed in whole or in part by the Partnership or in which the Partnership has an interest without the consent of any other Partner:

a. to determine which Royalty Interests to acquire, sell, assign to other persons, or abandon and in connection therewith to exercise all Executive Rights and enter into any agreements with any person acceptable to

the Managing Partner, including affiliates of the Managing Partner; provided that any such agreement does not constitute, in the opinion of the Managing Partner, an association taxable as a corporation under the Code;

b. to engage in hedging or other strategies to protect the economic value of the Partnership's investments;

c. to offer and sell, pledge, lease, farmout or otherwise dispose of Royalty Interests, oil, gas, and other minerals produced, and any interests therein or rights thereto, for periods and on other terms and conditions and subject to such contingencies or defects in title as the Managing Partner shall determine;

d. subject to Section 5.02, to borrow money on behalf of the Partnership, or enter into transactions having a similar leveraging effect on behalf of the Partnership, from any source or with any party, including the Managing Partner or its affiliates, upon such terms and conditions as the Managing Partner may deem advisable and proper, execute promissory notes, drafts, bills of exchange and other instruments and evidences of indebtedness and secure the payment thereof by mortgage, pledge or assignment of or security interest in all or any part of assets then owned or thereafter acquired by the Partnership, and refinance, recast, modify or extend any of the obligations of the Partnership and the instruments securing those obligations;

e. to make Capital Calls, conduct offerings of Partnership interests and make any filings necessary or desirable in connection with such offerings, and to request or accept additional Capital Contributions;

f. to open, maintain and close accounts with brokers, dealers, banks, commodities traders and others, and issue all instructions and authorizations regarding the purchase and sale or entering into, as the case may be, of assets, instruments or agreements consistent with the objectives and purposes of the Partnership, and to authorize checks or other orders for the payment of monies;

g. to vote at, or give any proxy regarding, any regular or special meeting of the equity owners or creditors of any entity, or give or withhold any consent as an equity owner or creditor;

h. to exercise or fail to exercise or waive, on behalf of the Partnership, in such manner as the Managing Partner in its sole judgment deems appropriate, all rights, elections and options granted or imposed by any governing document or agreement, statute, rule, regulation, or order, including the exercise, modification or waiver of any participation or consent in connection with any Royalty Interest;

i. to use the funds and revenues of the Partnership, on any terms it sees fit, to finance or conduct the activities of the Partnership, and the repayment of any loans used to finance such operations or activities;

j. to dispose of, hypothecate, sell, exchange, release, surrender, assign or abandon any assets of the Partnership including, without limitation, any Royalty Interest;

k. to negotiate and execute on any terms deemed desirable in its discretion any account agreements, subscriptions, limited partnership agreements, limited liability company agreements, asset sales or merger agreements, or any similar documents or instruments, considered useful to the making, management or liquidation of any investment, including without limitation, negotiate and execute any participation or similar agreement;

l. to control any matters affecting the rights and obligations of the Partnership, including instituting or defending litigation and settling claims or litigation, and in connection with such activities, employ attorneys or other professionals to advise and otherwise represent the Partnership;

m. to exercise the rights granted to it under the power of attorney created pursuant to this Partnership Agreement;

n. to collect any sums due the Partnership or exercise any right to demand payment of all or any part of any account;

o. to execute, on behalf of the Partnership, any contracts between the Partnership and any person (including any affiliate of the Managing Partner), providing consulting, engineering, geological, landman,

accounting, management, monitoring or other professional services needed by the Partnership, on such terms and for such consideration as determined by the Managing Partner in its discretion; provided that any compensation to an Affiliate shall be paid out of the management fee and shall not otherwise be paid by the Partnership;

p. to serve as "Tax Matters Partner" pursuant to the Code, and to make such elections under the Code, state tax laws and other relevant tax laws as to the treatment of items of Partnership income, gain, loss, deduction and credit, and as to all other relevant matters, as may be provided herein or as the Managing Partner deem necessary or appropriate; including, without limitation, elections referred to in Section 754 of the Code, determination of which items of cash outlay are to be capitalized or treated as current expenses, and selection of the method of accounting and bookkeeping procedures to be used by the Partnership;

q. to purchase, at the expense of the Partnership, such liability and other insurance (including key man insurance) as the Managing Partner deems advisable to protect the Partnership's assets and business or as may be required by the laws of any jurisdiction to which the Partnership is subject, it being the intent hereof to permit the Managing Partner in its discretion to cause the Partnership to elect not to purchase insurance against any or all risks;

r. to hold title to the Partnership's Royalty Interests and other assets in the name of the Partnership or in the name of a nominee or agent chosen by the Managing Partner, as the Managing Partner shall deem appropriate;

s. to perform or cause to be performed for the Partnership all services customarily performed by a management company for oil and gas properties in accordance with sound management practices, including, without limitation, the hiring and firing of personnel, the furnishing of general and administrative services, preparation of the tax returns of the Partnership, bookkeeping, purchasing of goods, equipment, and supplies, and such other duties as are required for the proper management of operations similar to those of the Partnership;

t. to guaranty any contract, security or obligation of any other persons, whereupon the guaranty shall not be subject to attack by any person having an interest in the Partnership, and the Partnership shall not seek damages from any person who authorized the guaranty, on the ground that the guaranty cannot reasonably be expected directly or indirectly to benefit the Partnership, notwithstanding any contrary provisions of the Texas BOC or the laws of the state of Texas;

u. to file, for individual investors, all required tax returns and composite returns necessary or appropriate under applicable United States tax laws, excluding United States state income tax returns for individual investors in the state where they reside;

v. to contract with third parties, at the expense of the Partnership, for third party reports and filings required to manage the partnership including, but not limited to: reserve engineering and evaluations; audits; tax return filings; federal government filings; state securities law filings; and any other third party services deemed necessary by the Managing Partner, and

w. to incur all costs and make all expenditures in any way related to any of the foregoing.

5.04 SCOPE OF POWERS. The powers granted to the Managing Partner by the Partners under this Partnership Agreement shall extend to any venture or other activities participated in by the Partnership or affecting its assets, whether or not the Managing Partner is the general partner or manager of such other venture or activities.

5.05 OTHER ACTIVITIES. Neither the Managing Partner or its affiliates nor any other Partners are prevented hereby from engaging in other activities for profit whether in the oil and gas business or otherwise. The Managing Partner and its affiliates or any other Partner may organize, contract with, and manage other oil and gas programs and may hold Royalty Interests or engage in the exploration for and production of oil, gas, and other minerals for their own accounts, jointly or with others, or as managers or equity holders of any other entity. The Managing Partner shall allocate oil and gas investment opportunities among the Partnership, and any other entities or accounts it manages, including personal accounts of its managers, in a manner that is fair to the Partnership and to such other entities or accounts, including consideration of factors such as the proportions of oil and gas properties held, the initial capital contributions not yet deployed, the prospect of further development activities and the revenues and capital available to support further development activities, the suitability of a prospect for investment

by the Partnership or other entities or accounts, the terms of any investment, the nature of the investors, the anticipated term of the Partnership and the other entities or accounts, and any other factors it determines in its discretion.

5.06 SERVICES AND RELIANCE. The Managing Partner may employ or retain such legal counsel, accountants, bookkeepers, clerks, consultants, petroleum engineers, geologists, geophysicists, landmen, appraisers, or other experts or advisors, including affiliates, as it may reasonably deem appropriate for the purpose of discharging its duties to the Partnership. The Managing Partner may act, and shall not be liable if acting in good faith, on the opinion or advice of, or information obtained from, any such expert or advisor, whether retained or employed by the Partnership or any other person.

5.07 EQUIPMENT. The Partnership may purchase or acquire equipment necessary in the operation of the Partnership from the Managing Partner or its affiliates, but the Partnership may be charged for such equipment only at competitive rates in the industry for such geographic area.

5.08 TRANSACTION WITH AFFILIATES. The Partnership is specifically authorized to acquire Royalty Interests from Shawn Bartholomae or other affiliates upon the terms set out in the private placement memorandum for the initial offering of Partnership Interests.

5.09 LIABILITY FOR CERTAIN ACTS. No Managing Partner has guaranteed or shall have any obligation with respect to the return of a Partner's Capital Contributions or profits from the operation of the Partnership. Notwithstanding any provision of the Texas BOC, no Managing Partner of the Partnership shall be liable to the Partnership or to any Partner for any loss or damage sustained by the Partnership or any Partner except loss or damage resulting from such Managing Partner's intentional misconduct or knowing violation of law or a transaction for which such Managing Partner received a personal benefit in violation or breach of the provisions of this Agreement. The Managing Partner shall be entitled to rely on information, opinions, reports or statements, including but not limited to financial statements or other financial data prepared or presented by: (i) any one or more Partners, affiliates or employees of the Partnership whom the Managing Partner reasonably believes to be reliable and competent in the matter presented, (ii) legal counsel, public accountants, consultants, or other persons as to matters the Managing Partner reasonably believes are within the person's professional or expert competence, or (iii) a committee of Partners of which it is not a member if the Managing Partner reasonably believes the committee merits confidence.

5.10 INDEMNITY OF PERSONS. The Partnership shall have the power, right and obligation to indemnify persons as set out here.

(a) The Partnership shall indemnify any person who was or is a party to or witness in or is threatened to be made a party to or witness in any threatened, pending or completed Proceeding (whether or not by or in the right of the Partnership) by reason of the fact that the person is or was a Managing Partner or a manager or agent of a Managing Partner of the Partnership, against expenses (including attorneys fees, accountants fees, and expenses of investigation), judgments, fines and amounts paid in settlement incurred by such person, except expenses, judgments, fines and amounts paid in settlement resulting from its intentional misconduct or knowing violation of law or a transaction for which such person received a personal benefit in violation or breach of the provisions of this Agreement. The Partnership shall advance expenses to any current or former Managing Partner or manager or agent at such times and in such amounts as shall be requested by such person. The Partnership shall have the power to indemnify any person who was or is a party to or witness in or is threatened to be made a party to or witness in any threatened, pending or completed Proceeding (whether or not by or in the right of the Partnership) by reason of the fact that the person is or was a governing authority, employee, consultant, independent contractor or agent of the Partnership, or is or was serving at the request of the Partnership as a governing authority, officer, joint venturer, employee, agent or in a similar capacity for another person, against expenses (including attorneys fees, accountants fees, and expenses of investigation), judgments, fines and amounts paid in settlement incurred by the person in connection with such Proceeding, upon the determination by the Managing Partner that indemnification is appropriate and subject to such terms and conditions or undertakings as the Managing Partner in its discretion shall impose. The Partnership may advance expenses to any such person at such times and in such amounts as shall be requested by such person and approved by the Managing Partner in its discretion. The termination of any Proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not,

of itself create a presumption that indemnification or the advancement of expenses by the Partnership was not appropriate or breached any law or constituted a breach of any duty by any person.

(b) If a person has been successful on the merits or otherwise as a party to any Proceeding, or with respect to any claim, issue or matter therein arising out of such person's service to or on behalf of the Partnership (to the extent that a portion of the expenses can be reasonably allocated thereto), the person shall be indemnified against expenses (including attorneys fees, accountants fees and expenses of investigation) actually and reasonably incurred by the person in connection with the Proceeding.

(c) The indemnification provided by this section shall not be deemed exclusive of any other rights to which those indemnified may be entitled under any agreement or action of the Partnership, and shall continue as to a person who has ceased to function in the capacity as to which indemnification is sought and shall inure to the benefit of the heirs, executors and administrators of such a person.

(d) The Partnership shall, if at all feasible, purchase and maintain directors' and officers' liability insurance or errors and omissions insurance or similar insurance on behalf of any person participating in the Partnership, including the Managing Partner, whether or not the Partnership would have the power to indemnify such person under the provisions of this Agreement.

5.11 RESIGNATION; REMOVAL.

(a) **Resignation.** The initial Managing Partner of the Partnership may resign at any time after the expiration of two (2) years from the date of this Agreement by giving written notice to the Partners of the Partnership; provided that the Managing Partner has designated a successor Managing Partner which is competent and willing to serve as Managing Partner, and which is approved by a Majority-in-Interest. The resignation of any successor Managing Partner shall take effect upon receipt of notice thereof or at such later time as shall be specified in such notice; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

(b) **Removal.** The Managing Partner may be removed by a Majority-in-Interest of the Partners at any time it is subject to an Event of Withdrawal. The Managing Partner may otherwise be removed only upon prior written notice signed by at least two other Partners stating the events or actions prompting an attempt to remove, describing in specific detail the actions that must be taken to cure such events or actions, and providing a period of not less than thirty (30) days to cure such events or actions. Upon the lapse of such cure period without the Managing Partner taking all the curative actions described in the notice, Investor Partners holding at least two-thirds of the Partnership Interests shall have the right to remove the Managing Partner and to elect and substitute a new Managing Partner. Partnership Interests held by the Managing Partner or its affiliates shall not be included in any vote on removal of the Managing Partner.

(c) **Rights not affected.** The resignation or removal of a person as a Managing Partner shall not affect the person's rights as a Partner or to indemnification and shall not constitute a withdrawal by such person as a Partner or an Event of Withdrawal as to such person. Any Managing Partner shall be relieved and released from all obligations and liabilities as a general partner accruing after the date of resignation or removal.

(d) **Sale and Conversion of Interest**. ProAk owns a 15% Net Distribution Interest in the Partnership and those rights are not affected by resignation or removal except as provided in this subsection. Upon its resignation or removal as Managing Partner, ProAk shall offer to sell a minimum of twenty percent (20%) of its Net Distribution Interest in the Partnership, including any future rights to distributions, to the new managing partner at a price that is the greater of (i) six times the aggregate payments or distributions received by ProAk for the twelve calendar month period immediately preceding the resignation or removal, times the percentage of ProAk's Net Distribution Interest in the Partnership that is offered to the new managing partner, or (ii) the fair market value of the proportionate indirect ownership interest in the Royalty Interests attributable to the part of the Net Distribution Interest offered to the new managing partner, as established by the most recent sale of any comparable overriding royalty in the Kitchen Lights Unit.

The closing of the purchase of ProAk's interest shall take place within thirty (30) days following its resignation or removal as the Managing Partner. Any management fee accruing after such resignation or removal shall be paid to the successor managing partner. ProAk's interest in the Partnership, not otherwise transferred to the successor managing partner, shall become a Limited Partner's interest, and shall continue to be entitled to the pro-rata interest in distributions not transferred. Thereafter, ProAk shall share in allocations and distributions as a Limited Partner, shall be deemed to own a Partnership Interest proportional to its interest in distributions from time to time, and the Partnership Interest of each other Partner shall be adjusted accordingly.

5.12 LIMITS ON AUTHORITY OF MANAGING PARTNER. The Managing Partner shall not do, perform, or authorize any of the following:

(a) do any act in contravention of this Agreement without the consent of all Partners;

(b) except as specifically permitted by Article XI, do any act which would make it impossible to carry on the ordinary business of the Partnership;

(c) confess a judgment against the Partnership;

(d) possess Partnership property or assign any rights in specific Partnership property for other than a Partnership purpose;

(e) receive any benefit from an arrangement for marketing of oil and gas production owned by the Partnership, unless such benefits are fairly and equitably apportioned among Managing Partner and the Partnership in proportion to respective ownership rights;

(f) enter into any contract between the Partnership and the Managing Partner or any affiliate thereof not terminable by the Partnership, without penalty, upon sixty (60) days' written notice; or

(g) make any loans or advances from the Partnership to the Managing Partner and/or its affiliates or to any other Partner, except advances for prepayments of bona fide business expenses to be incurred in the normal course of business.

5.13 COMPENSATION AND REIMBURSEMENT OF MANAGING PARTNER.

(a) The Partnership shall pay the Managing Partner or its affiliates for Organization and Offering Expenses as a non-accountable percent of proceeds of the initial offering of Partnership Interests. The Partnership shall pay or reimburse the Managing Partner or its affiliates for all Third Party Expenses incurred in the operations of the Partnership. The Managing Partner shall pay, and not be reimbursed for, all expenses for office facilities used by the Partnership and all compensation to personnel of the Managing Partner or its affiliates for services rendered to the Partnership, including any placement agent fees and services.

(b) The Managing Partner shall be paid an annual management fee of $60,000, unless a higher management fee is approved by a Majority-In-Interest at any time after the conclusion of the initial offering of Partnership Interests. The Partnership shall make a special allocation to the Managing Partner for the management fee and shall pay the amount of the management fee in arrears within 15 days after the end of each fiscal year. Any management fee will not include Third Party Expenses, which will be paid by the Partnership in the normal course of business.

(c) ProAk or its assigns shall be entitled to receive a 15% Net Distribution Interest as provided in Section 8.01 of this Agreement. The Partnership shall make a Section 83 safe harbor election to value the 15% Net Distribution Interest of ProAk at liquidation value as permitted in accordance with the Code and Regulations. Such election shall be binding on the Partnership and all Partners while the election is in effect. The election may be revoked only by the Managing Partner as permitted under the Regulations. Each Partner agrees to comply with all requirements of the election while the election remains effective. Each Partner agrees to cooperate with the Managing Partner to perfect and maintain such election and to timely execute and deliver any information or documentation with respect to such election reasonably requested by the Managing Partner. The Managing Partner

is specifically authorized to amend this Agreement to comply with any changes in the Regulations or as otherwise deemed appropriate by the Managing Partner to maintain or revoke such election.

ARTICLE VI
RIGHTS AND OBLIGATIONS OF PARTNERS

6.01 LIMITATION ON LIABILITY; PARTICIPATION IN MANAGEMENT. The liability of each Partner shall be limited as set forth in the Texas BOC and this Agreement. No Limited Partner shall have any personal liability for any debts or losses of the Partnership, by virtue of its status as a Partner, but may, by written agreement, agree to be obligated personally for any or all debts, obligations and liabilities of the Partnership. No Partner shall have any right to participate in the management of the Partnership, or to act for or bind the Partnership, solely by virtue of its status as a Partner of the Partnership, unless a particular action is specifically approved in advance in writing by the Managing Partner.

6.02 MEETINGS. Meetings of the Partners may be called by the Managing Partner at any time upon written notice to all Partners. Meetings of the Partners shall be called by the Managing Partner within ten days after Partners holding ten percent (10%) or more of the outstanding Partnership Interests deliver to the Managing Partner a written request for a meeting, stating the purpose(s) of the meeting. The Managing Partner shall give written notice to all Partners of any meeting and the purpose of such meeting. The meeting shall be held on a date not less than 10 days nor more than 60 days after the date notice is given, at a reasonable time and place. A vote on any matter on which Partners are entitled to vote shall be binding on all Partners, and shall constitute full authority for the Managing Partner to act on behalf of the Partnership in accordance with such vote. Action by Partners may also be taken without a meeting upon written consent of Partners holding Partnership Interests sufficient to authorize such action, provided that written notice shall be given promptly to all Partners where the consent is executed by less than all Partners. Meetings may be held by using conference telephone or similar communications equipment or the Internet, if the means permits each person participating in the meeting to communicate with all other persons participating in the meeting. The Partnership shall implement reasonable measures to verify that every person voting at the meeting by means of remote communication is sufficiently identified. A person participating in a meeting is considered present at the meeting, unless the participation is for the express purpose of objecting to the transaction of business at the meeting on the ground that the meeting has not been lawfully called or convened.

6.03 VOTING RIGHTS. The Partners shall have the right to vote upon various matters as specifically provided by this Agreement, and shall have only those voting rights specifically provided by this Agreement. Any action requiring the consent or approval of the Partners under the provisions of this Agreement shall be taken only if the consent or approval of the Partners is evidenced by written or electronic instruments executed by such consenting or approving Partners. The Partners shall be entitled to vote by percentage Partnership Interest held, on each matter on which the Partners shall be entitled to vote pursuant to the terms of this Agreement. The Partners shall have the right to approve or disapprove:

(a) the Partnership engaging in any significant activity other than those described in Section 1.06;

(b) terms for additional Partnership Interests pursuant to section 3.02(b);

(c) pursuant to section 3.03(b), the creation of additional Partnership Interests or of any other class or series of Partnership Interests;

(d) those actions described in Section 5.02;

(e) the election of a new managing partner upon the resignation of the Managing Partner pursuant to Section 5.11(a) or the removal of the Managing Partner pursuant to section 5.11(b);

(f) any sale, exchange or other disposition of any asset having a book value equal to ten percent (10%) or more of aggregate Capital Contributions to an Affiliate of the Managing Partner;

(g) any sale, exchange or other disposition of any assets, having an aggregate book value equal to fifty percent (50%) or more of aggregate Capital Contributions, in a single transaction or series of related transactions to a third party, other than in connection with the dissolution of the Partnership;

(h) the conversion of the Partnership into another form of entity, the merger or consolidation of the Partnership or any other form of interest exchange or business combination, whether or not the Partnership is the surviving entity;

(i) the dissolution of the Partnership; or

(j) any amendment to section 13.14 of this Agreement.

Except as specifically provided in this section 6.03 or the other provisions of this Agreement, any other action or decision (including any decision to refrain from any action) may be taken by the Managing Partner without the consent or approval of the Partners. The Managing Partner is specifically authorized to negotiate, agree to and execute sales from time to time of assets of the Partnership without the consent of a Majority-in-Interest, subject to the restrictions above.

6.04 WITHDRAWAL OF PARTNER. A Limited Partner may withdraw in writing as a Partner at any time, and thereafter shall have the rights of a transferee of a Partnership Interest who has not been admitted as a Partner. A Partner who is subject to an Event of Withdrawal shall cease to be a Partner as of the date of the Event of Withdrawal and shall thereafter have the rights of a transferee of a Partnership Interest who has not been admitted as a Partner. Any Partner who withdraws or is subject to an Event of Withdrawal may request that the Partnership redeem the Partnership Interest of such Partner, or the Managing Partner may at its discretion determine to redeem such Partnership Interest, at any time after the Partnership has received regular monthly payments from production for at least one year, for the amount of the purchase price for a Partnership Interest subject to redemption under section 6.05. If the Managing Partner grants such request or determines to redeem such Partnership Interest, the Partnership shall redeem the Partnership Interest, as of the end of the next calendar month, and may pay the purchase price in quarterly installments over a period not to exceed 24 calendar months, with interest at the Texas judgment rate. Any such redemption shall be subject to the limits set out in section 6.05.

6.05 REDEMPTION OF PARTNERSHIP INTEREST. A Limited Partner may, at any time after the Partnership has received regular monthly payments from production for at least one year, request in writing that the Partnership redeem all or a portion of their Partnership Interest. Upon receiving a written request for redemption, the Partnership, at the discretion of the Managing Partner, shall have a continuing exclusive option to agree to redeem such interest for a period of sixty (60) days commencing on the first day of the calendar month immediately following such request for redemption. If the Managing Partner agrees to the redemption, the redemption shall occur within one-hundred eighty (180) days commencing on the first day of the calendar month immediately following such request for redemption.

The redemption price shall be (i) six times the Net Cash Flow of the Partnership for the twelve calendar month period immediately preceding the date of the request for redemption or the withdrawal or Event of Withdrawal, (ii) multiplied by the percentage Partnership Interest redeemed. Each Partner agrees that the Managing Partner may adjust the Net Cash Flow for the twelve calendar month period immediately preceding the date of the request for redemption or the withdrawal or Event of Withdrawal for any unusual prior or projected circumstances on any basis the Managing Partner deems appropriate, in its discretion. ProAk's Net Distribution Interest in the redemption price shall be paid to it, if, as and when the redemption price is paid to the redeemed Partner. No more than 5% of the total Partnership Interests may be redeemed in the aggregate in a single calendar year. Requests for redemption in connection with the death, disability, divorce or bankruptcy of a partner shall be given priority. Other requests for redemption by limited partners shall be given priority based on the day and time during the day on which the request for redemption was actually received by the Managing Partner.

6.06 TRANSFER ON DEATH. A Limited Partner may establish a transfer on death registration, and designate a beneficiary to receive the Limited Partner's Partnership Interest upon the death of the last surviving co-owner of the Partnership Interest, by completing a "Transfer on Death Registration" in the form provided by the Partnership.

6.07 TRADE SECRETS. Each Partner acknowledges that it may have access to and may be entrusted with certain non-public information pertaining to the present and contemplated business activities of the Partnership or the properties underlying the Royalty Interests, which information includes, but is not limited to, information regarding industry relationships, areas of interest, geological and engineering information, drilling and completion operations, subsequent operations, capital markets contacts, infrastructure and logistics, and information regarding potential investors or acquisition entities and other Partners, including their names, addresses, telephone numbers, contact information, investment policies, financial condition and investment portfolio (all of which information is referred to here as Partnership Trade Secrets). Each Partner and other person bound by these provisions acknowledges that the disclosure of such Partnership Trade Secrets to any other party would be detrimental to the interests of the Partnership. Each Partner and other person bound by these provisions acknowledges and agrees with the Partnership that such Partnership Trade Secrets are the proprietary information of the Partnership and/or of the potential investors or acquisition entities and other Partners, and shall be treated by each Partner as confidential information of the Partnership, and that none of said Partnership Trade Secrets or the facts contained therein shall be transmitted verbally or in writing by any person except as may reasonably be required in the ordinary course of conducting business on behalf of the Partnership. Each Partner and other person bound by these provisions covenants and agrees with the Partnership that it will not disclose such Partnership Trade Secrets, nor use the Partnership Trade Secrets other than as may reasonably be required in the normal course of the business of the Partnership; provided, that any Partner (or its representative) may disclose any such information: (a) as has become generally available to the public other than through violation of this Agreement; (b) as may be required or appropriate in any report, statement or testimony submitted to any governmental authority having or claiming to have jurisdiction over such Partner (or its representative) but only that portion of the data and information which, in the written opinion of counsel for such Partner or representative is required or would be required to be furnished to avoid liability for contempt or the imposition of any other material judicial or governmental penalty or censure; (c) as may be required or appropriate in response to any summons or subpoena or in connection with any litigation; (d) to its attorneys and advisors, who shall be subject to the provisions of this paragraph; or (e) as to which the Partnership has consented in writing or which is expressly permitted under this Agreement. Notwithstanding anything herein to the contrary, any Partner (and representative of such Partner) may disclose to appropriate state and federal tax authorities such Partner's U. S. federal income tax treatment and the U. S. federal income tax structure of the transactions contemplated hereby relating to such Partner and all materials of any kind (including opinions or other tax analyses) that are provided to it relating to such tax treatment and tax structure. These provisions shall continue to bind any Partner who is subject to an Event of Withdrawal, and shall bind any transferee of a Partner.

If for any reason, any person violates any of the provisions contained in this section 6.07, such person acknowledges and agrees that the Partnership and each other Partner shall have the right to require that the violating person immediately comply with this section. Each person acknowledges and agrees that exact monetary and other damages in the event of such violations are difficult of ascertainment, though great and irreparable, and each person further acknowledges and agrees with the Partnership that in the event of a real or threatened breach by such person of any of the provisions contained in this section 6.07, the Partnership and each other Partner shall be entitled to commence proceedings in a court of competent jurisdiction located in Dallas, Texas for and be entitled to obtain preliminary and/or permanent injunctive relief or other appropriate equitable remedies, which rights and remedies shall be in addition to any other rights or remedies to which they may be justly entitled at law.

The Managing Partner shall have the discretion to require the withdrawal of any Partner responsible for a violation of this section 6.07, whereupon the responsible Partner shall be deemed to have withdrawn as of the date specified by the Managing Partner and shall be deemed to have requested a redemption of their entire Partnership Interest pursuant to section 6.05.

6.08 COMPETING ACTIVITIES OF PARTNERS. Each Partner may engage or continue to engage in activities within the oil and gas industry, and in businesses related to such industries. Any Managing Partner or Partner or its affiliates may have business dealings with the Partnership. These activities will not be construed as a conflict of interest with the Partnership or as a conflict of interest regarding any vote within the Partnership or as a violation of any duty to the Partnership or to any other Partner.

6.09 RECORD DATE. For the purpose of determining Partners entitled to notice or to give consent, or Partners entitled to receive payment of any distribution, or in order to make a determination of Partners for any other

purpose, the date on which notice of the meeting is mailed or the date on which such determination is made, as the case may be, shall be the record date for such determination of Partners unless the Managing Partner shall otherwise specify another record date.

ARTICLE VII
REPRESENTATIONS OF PARTNERS

Each Partner represents and warrants to the Partnership and each other Partner as follows:

(a) in the case of a Partner that is an entity: (i) that Partner is duly incorporated, organized, or formed, validly existing, and (if applicable) in good standing under the laws of the jurisdiction of its incorporation, organization, or formation; (ii) if required by applicable law, that Partner is duly qualified and in good standing in the jurisdiction of its principal place of business, if different from its jurisdiction of incorporation, organization, or formation; and (iii) that Partner has full power and authority to execute and deliver this Agreement and to perform its obligations hereunder, and all necessary actions by the governing authority or other applicable persons necessary for the due authorization, execution, delivery, and performance of this Agreement by that Partner have been duly taken;

(b) that Partner has duly executed and delivered this Agreement, and that it constitutes the legal, valid, and binding obligation of that Partner enforceable against it in accordance with its terms (except as may be limited by bankruptcy, insolvency, or similar laws of general application and by the effect of general principles of equity, regardless of whether considered at law or in equity);

(c) that Partner's authorization, execution, delivery, and performance of this Agreement does not and will not (i) conflict with, or result in a breach, default, or violation of, (A) the organizational documents of such Partner (if it is an entity), (B) any contract or agreement to which that Partner is a party or is otherwise subject, or (C) any law, order, judgment, decree, writ, injunction, or arbitral award to which that Partner is subject; or (ii) require any consent, approval, or authorization from, filing or registration with, or notice to, any governmental authority or other person, unless such requirement has already been satisfied;

(d) that Partner is an Accredited Investor;

(e) that Partner is familiar with the existing or proposed business, financial condition, properties, operations, and prospects of the Partnership; it has asked such questions, and conducted such due diligence, concerning such matters and concerning its acquisition of a Partnership Interest as it has desired to ask and conduct, and all such questions have been answered to its full satisfaction; it has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of an investment in the Partnership; it understands that owning a Partnership Interest involves various risks, including the restrictions on Transfers, the lack of any public market for the Partnership Interests, the risk of owning its Partnership Interest for an indefinite period of time and the risk of losing its entire investment in the Partnership; it is able to bear the economic risk of such investment; it is acquiring its Partnership Interest for investment, solely for its own beneficial account and not with a view to or any present intention of directly or indirectly selling, transferring, offering to sell or transfer, participating in any distribution, or otherwise Transferring all or a portion of its Partnership Interest; and it acknowledges that the Partnership Interest has not been registered under the Securities Act or any other applicable federal or state securities laws, and that the Partnership has no intention, and will not have any obligation, to register or to obtain an exemption from registration for the Partnership Interest or to take action so as to permit sales pursuant to the Securities Act of 1933 as amended (including Rules 144 and 144A thereunder); and

(f) that Partner is not currently and will not in the future make a market in the Partnership Interests or take any other action that might cause the Partnership to be considered a publicly traded partnership, without the prior written approval of the Managing Partner.

ARTICLE VIII
ALLOCATION OF PROFITS AND LOSSES AND DISTRIBUTIONS TO PARTNERS

8.01 DISTRIBUTIONS.

(a) The Managing Partner shall have the discretion to determine on a monthly basis whether any distribution shall be made and the amount, if any, of such distribution. The Managing Partner is specifically authorized to retain cash reserves to pay anticipated operating expenses. The Managing Partner is specifically authorized to reinvest or distribute revenues and proceeds from the sale of any asset at its discretion. Each Partner expressly agrees that the Partnership is not required to distribute all of its Net Cash Flow. Distributions shall be paid fifteen percent (15%) to ProAk or its assignees and eighty-five percent (85%) to the Investor Partners as a group.

(b) Distributions to the Investor Partners shall be distributed to the Investor Partners in the proportion their Partnership Interest bears to all Partnership Interests held by Investor Partners.

(c) The rights of ProAk and its assignees in distributions shall constitute a Net Distribution Interest and shall not result in any change in the Partnership Interest of any Investor Partner. Distributions to ProAk under such Net Distribution Interest shall not be recouped or clawed back due to any future losses. The Net Distribution Interest shall be paid in connection with any distribution to an Investor Partner, including any distributions on redemption or liquidation.

(d) The Managing Partner shall incur no liability for any distribution even though such distribution results in the Partnership retaining insufficient funds for the operation of its business or incurring a loss, or requires the sale of additional Partnership Interests or the borrowing of funds by the Partnership.

(e) ProAk may assign any rights to distributions it is entitled to receive in its discretion to any person or may retain such rights. Any assignee shall not be deemed a Partner in the Partnership by virtue of such assignment, unless and until admitted as a Partner.

8.02 ALLOCATION OF PROFITS OR LOSSES. "Profit" or "loss" means, at all times during the existence of the Partnership, the profit or loss of the Partnership with respect to each fiscal period, determined in accordance with Section 704(b) of the Code and applicable Regulations, including, without limitation, each item of Partnership income, gain, loss, or deduction.

(a) Subject to Sections 8.03 through 8.05, for each fiscal period all items of profit and loss shall generally be allocated among the Partners, in proportion to, and until, each such Partner's Capital Account balance (determined after taking into account all distributions and all allocations for the current fiscal period) is increased or reduced to an amount equal to its Target Capital Account Amount. For these purposes, a Partner's "Target Capital Account Amount" equals the amount of distributions such Partner would receive pursuant to Section 8.01 if each of the Partnership's assets were disposed of for an amount equal to their Gross Asset Value, and all liabilities of the Partnership were satisfied to the extent required by their terms (limited, with respect to a nonrecourse liability, as such term is defined in Regulations Section 1.704-2(b)(3), or with respect to a Partner nonrecourse liability, as such term is defined in Regulations Section 1.704-2(b)(4), to the Gross Asset Value of the assets securing each such liability), and the proceeds of such disposition and all other cash of the Partnership remaining after satisfaction of all Partnership liabilities were distributed among the Partners pursuant to Section 8.01. The Managing Partner shall have the discretion to allocate and reallocate items of profit and loss so as to conform each Partner's Capital Account to such Partner's rights to distributions, insofar as reasonably possible. Without limitation, the Managing Partner may allocate in any particular fiscal period (i) items of income and gain to those Partners whose Capital Account balances are less than their Target Capital Account Amounts and (ii) items of loss and deduction to those Partners whose Capital Account balances are greater than their Target Capital Account Amounts, but in each case only up to an amount that would cause their Target Capital Account Amounts and Capital Account balances to be equivalent. The allocation provisions herein are intended to comply with applicable provisions of the Code, including Regulations promulgated under Section 704 of the Code, and successor statutes and Regulations thereof, and shall be interpreted and applied in a manner consistent with the Code and Regulations.

(b) Organization and Offering Expenses shall be specially allocated to each Investor Partner in the proportion their Partnership Interest bears to the Partnership Interest of all Investor Partners as of the closing of the initial offering of Partnership Interests, taking into account any waiver or discount granted to such Investor Partner; provided, however, if any Investor Partners are admitted to the Partnership following the close of the initial offering of Partnership Interests, all Organization and Offering Expenses shall be reallocated among the Investor Partners, to the extent possible, so that the Organization and Offering Expenses allocated to Investor Partners at any time are always in proportion to their Partnership Interests, except any disproportion resulting from a waiver or discount granted to an Investor Partner. In the event the Managing Partner shall determine that such result is not likely to be achieved through the future allocations of Organization and Offering Expenses, the Managing Partner may allocate a portion of profits and losses so as to achieve the same effect on the Capital Accounts of such Investor Partners, notwithstanding any other provision of this Agreement to the contrary.

(c) All Royalty Interest Acquisition Costs and Third Party Expenses shall be allocated to the Investor Partners, and shall be allocated among the Investor Partners in the proportion their Partnership Interest bears to the Partnership Interest of all Investor Partners.

(d) Any sales commission or placement agent fee or due diligence fee or reimbursement paid to a registered broker/dealer or investment adviser shall be specially allocated to the Capital Account of the Investor Partner investing through such registered broker/dealer or investment adviser.

(e) The Partnership shall make a special allocation to the Managing Partner in the amount of the management fee provided under section 5.13. The expense for the management fee shall be allocated to the Investor Partners, and shall be allocated among the Investor Partners in the proportion their Partnership Interest bears to the Partnership Interest of all Investor Partners.

(f) Notwithstanding any provision of this Agreement to the contrary, Partnership losses allocated pursuant to section 8.02 to any Partner for any taxable year shall not exceed the maximum amount of Partnership losses that may be allocated to such Partner without causing such Partner to have an Adjusted Capital Account Deficit at the end of such taxable year. In no event shall the capital account of any Limited Partner be reduced below zero. Such Partnership losses shall be allocated among the Partners whose Capital Account balances are positive in proportion to such positive balances to the extent necessary to reduce the balances of such Partners' Capital Account balances to zero, it being the intention of the Partners that no Partner's Capital Account balance shall fall below zero while any other Partner's Capital Account has a positive balance. Thereafter, all items of loss or deduction shall be allocated to the Managing Partner. If there have been allocations of loss or deduction pursuant to this section 8.02(f), then all items of income, gain and credit of the Partnership first allocated after such allocations of loss or deduction shall be allocated among the Partners to offset in reverse order such allocations of loss or deduction and thereafter shall be allocated in accordance with the other provisions of this section 8.02.

(g) The allocation provisions herein are intended to comply with applicable provisions of the Code, including Regulations promulgated under Section 704 of the Code, and successor statutes and Regulations thereof, and shall be interpreted and applied in a manner consistent with the Code and Regulations.

8.03 DETERMINATION OF PROFITS AND LOSSES FOR TAXES. The Partnership profits and losses shall be determined for all Partnership income tax purposes as of the close of business on December 31 of each year. Such profits and losses shall be the net income or net loss of the Partnership for such period, determined using the either the cash method of accounting or the accrual method of accounting (at the discretion of the Managing Partner) in accordance with U.S. Federal income tax accounting principles and Section 703(a) of the Internal Revenue Code (including any items that are separately stated for purposes of Section 702(a) of the Internal Revenue Code), with the following adjustments for Partnership accounting purposes:

(a) Any income of the Partnership that is exempt from U.S. Federal income tax shall be included as income;

(b) Any expenditures of the Partnership that are described in Section 705(a)(2)(B) of the Internal Revenue Code or treated as so described pursuant to Treas. Reg. §1.704-1(b)(2)(iv)(i) shall be treated as current expenses;

(c) If Partnership assets are distributed to the Partners in kind, such distributions shall be treated as sales of such assets for cash at their respective fair market values in determining Partnership profits and losses;

(d) Gain resulting from the disposition of a property the production from which is subject to depletion and for which gain is recognized for U.S. federal income tax purposes shall be treated as being equal to the corresponding simulated gain as defined in Regulation 704-1(b)(2)(iv)(k);and

(e) All items of income, gain, loss or deduction specially allocated pursuant to Section 8.07 shall be excluded from the determination of Partnership profits and losses.

8.04 DEPLETABLE PROPERTIES. Pursuant to the provisions of the Code, all depletion deductions with respect to oil and gas properties in which the Partnership holds a direct or indirect interest shall be computed by the Partners separately. For purposes of computing the depletion deduction: (a) the adjusted tax basis in the Royalty Interests shall be allocated 100% to the Investor Partners and shall be allocated among the Investor Partners in the proportion their Partnership Interest bears to the Partnership Interest of all Investor Partners (notwithstanding the foregoing, the Partners shall at all times be allocated those percentages of such adjusted tax basis as is necessary to insure that subsequent adjustments to each Partner's Capital Account for allocations of simulated depletion, simulated gain, and simulated loss do not lack substantial economic effect for purposes of Section 704(b) of the Code); and (b) the Partners shall be allocated simulated depletion, based upon cost or percentage depletion as the Managing Partner may elect, in the same percentages as the adjusted tax basis of the Royalty Interests is allocated, but not in excess of such adjusted tax basis. For purposes of this section 8.04, adjusted tax basis, simulated depletion, simulated gain, and simulated loss shall have the meanings set forth in Regulations Section 1.704-1(b). The foregoing rules regarding Capital Account adjustments for simulated depletion, simulated gain, and simulated loss are intended to comply with the requirement of the Regulations and shall be interpreted and applied in a manner consistent with such Regulations.

8.05 ALLOCATION IN THE EVENT OF TRANSFER. If a Partnership Interest is transferred in accordance with the provisions of this Agreement there shall be allocated to each person who held the transferred interest during the fiscal year of transfer the product of (a) the Partnership's profit or loss allocable to such transferred interest for such fiscal year, and (b) a fraction the numerator of which is the number of days such person held the transferred interest during such fiscal year and the denominator of which is the total number of days in such fiscal year; provided, however, that the Managing Partner may in its discretion allocate such profit or loss by closing the books of the Partnership immediately after the transfer of an interest or by any other reasonable method permitted by Section 706 of the Code. Such allocation shall be made without regard to the date, amount, or recipient of such transferred interest.

8.06 CONTRIBUTED PROPERTY. Profit or loss with respect to any property contributed to the capital of the Partnership shall, solely for tax purposes, be allocated among the Partners so as to take account of any variation between the adjusted basis of such property to the Partnership for federal income tax purposes and its value at the time of the contribution of such property to the Partnership in accordance with Code Section 704(c).

8.07 SPECIAL ALLOCATIONS. The following special allocations shall be made in the following order:

(a) Minimum Gain Chargeback. If there is a net decrease in Partnership minimum gain during a Partnership taxable year, each Partner shall be allocated [before any other allocation is made pursuant to this section 8.07] items of income and gain for such year (and, if necessary, for subsequent years) equal to that Partner's share of the net decrease in Partnership minimum gain. A Partner's share of the net decrease in Partnership minimum gain shall be determined in accordance with the Regulations. This section 8.07(a) is intended to comply with the minimum gain chargeback requirement of the Regulations and shall be interpreted consistently therewith.

(b) Partner Minimum Gain Chargeback. If there is a net decrease in minimum gain attributable to a Partner nonrecourse debt (determined pursuant to the Regulations) during any Partnership taxable year, certain items of income and gain shall be allocated (on a gross basis) as quickly as possible to those Partners who had a share of the minimum gain attributable to the Partner nonrecourse debt (determined pursuant to the Regulations) in the amounts and manner described in the Regulations. This section 8.07(b) is intended to comply with the minimum

gain chargeback requirement set forth in the Regulations relating to partner nonrecourse debt and shall be interpreted consistently therewith.

(c) Qualified Income Offset Allocation. In the event any Partner unexpectedly receives any adjustments, allocations or distributions which would cause the negative balance in such Partner's Capital Account to exceed the sum of (1) its obligation to restore a Capital Account deficit upon liquidation of the Partnership, plus (2) its share of Partnership minimum gain, plus (3) such Partner's share of Partner minimum gain, items of Partnership income and gain shall be specially allocated to such Partner in an amount and manner sufficient to eliminate such excess negative balance in its Capital Account as quickly as possible. This section 8.07(c) is intended to comply with the alternative test for economic effect set forth in the Regulations and shall be interpreted consistently therewith.

(d) Partner Nonrecourse Deductions. Partner nonrecourse deductions determined pursuant to the Regulations shall be allocated pursuant to the Regulations to the Partner who bears the economic risk of loss with respect to such deductions.

(e) Basis Adjustment. To the extent an adjustment to the adjusted tax basis of any Partnership assets is required, pursuant to the Code or Regulations, to be taken into account in determining Capital Accounts, the amount of such adjustment to the Capital Accounts shall be treated as an item of gain, if the adjustment increases the basis of the asset, or loss, if the adjustment decreases such basis, and such gain or loss shall be specially allocated to the Partners in a manner consistent with the manner in which their Capital Accounts are required to be adjusted pursuant to the Regulations.

(f) Curative Allocations. The allocations set forth in the preceding provisions of section 8.07 are intended to comply with certain requirements of the Regulations. Notwithstanding any other provision of this Article VIII, such allocations shall be taken into account in allocating profits and losses and items of Partnership income, gain, loss and deductions to the Partners so that, to the extent possible, the net amount of such allocations to each Partner in the current and future periods shall be equal to the net amount of items that would have been allocated to each such Partner if the allocations under the preceding provisions of section 8.07 had not occurred.

8.08 ADJUSTMENT OF GROSS ASSET VALUES. Any item of gain or loss resulting from an adjustment of the Gross Asset Value of a Partnership asset shall be allocated to the Partners in accordance with the provisions for distributions to the Partners in effect from time to time, taking into account any anticipated change in distributions. Any adjustment to the Gross Asset Value of a Partnership asset pursuant to the definition of Gross Asset Value in this Agreement shall thereafter be taken into account as a built-in gain or loss for purposes of Code section 704(c).

8.09 GUARANTEED PAYMENTS. To the extent any compensation paid to any Partner by the Partnership is determined by the IRS not to be a guaranteed payment under Code Section 707(c) or as not paid to the Partner other than in the person's capacity as a Partner within the meaning of Code Section 707(a), the Partner shall be specially allocated gross income of the Partnership in an amount equal to the amount of that compensation, and the Partner's Capital Account shall be adjusted to reflect the payment of that compensation.

8.10 PARTNERSHIP WITHHOLDING. Should the Partnership be required, pursuant to the Code, the laws of any state or any other provision of law, to withhold any amount from amounts otherwise distributable to any Partner or on the basis of income allocable to any Partner, the Partnership shall withhold those amounts, and any amounts so withheld shall be deemed to have been distributed to that Partner under this Agreement. If any sums are withheld pursuant to this provision, the Partnership shall remit the sums so withheld to, and file the required forms with, the Internal Revenue Service, or the appropriate authority of any such state or other applicable government agency. In the event of any claimed over-withholding, a Partner shall be limited to an action against the Internal Revenue Service, or the appropriate authority of any such state or other applicable government agency, for refund and each Partner hereby waives any claim or right of action against the Partnership on account of such withholding. Furthermore, if the amounts required to be withheld exceed the amounts which would otherwise have been distributed to a Partner, the Partner shall contribute any deficiency to the Partnership within ten (10) days after notice from the Partnership. If the deficiency is not contributed within that time, such failure shall constitute a liability of that Partner, and the Partner shall be liable for interest on the amount of such deficiency from the date of notice until paid at an annual rate equal to the lesser of twelve percent (12%) or the highest rate permitted by law.

This deficiency shall be repaid in full within ten (10) days after demand (and for this purpose any Partner other than the Partner on whose account such deficiency was made may unilaterally make such demand for and on behalf of the Partnership), and otherwise shall be repaid, without prejudice to any other remedies at law or in equity that the Partnership may have, out of distributions to which the debtor Partner would otherwise subsequently be entitled under this Agreement.

ARTICLE IX
BOOKS AND RECORDS

9.01 RECORDS AND REPORTS. At the expense of the Partnership, the Managing Partner shall maintain records and accounts of all operations and expenditures of the Partnership. The books and records of the Partnership shall be prima facie evidence of the Partners or transferees entitled to allocations and distributions. The Partnership shall not be required to recognize the claim of any other person to any Capital Account or Partnership Interest. The Partnership shall keep at its principal place of business the following records:

(a) A current list of the full name and last known address of each Partner, and its Capital Contributions and Partnership Interest;

(b) Copies of records to enable a Partner to determine the relative voting rights, if any, of the Partners;

(c) A copy of the Certificate of Formation of the Partnership and all amendments thereto;

(d) Copies of the Partnership's federal, state, and local income tax returns and reports, if any, for the three most recent years;

(e) Copies of this Agreement, together with any amendments thereto; and

(f) Copies of any financial statements of the Partnership for the three most recent years.

9.02 EXAMINATION OF BOOKS AND RECORDS. The books and records shall at all times be maintained at the principal office of the Partnership, and shall be open to the reasonable inspection and examination of the Partners or a transferee who has not been admitted as a Partner, or their duly authorized representatives, during reasonable business hours. An authorized representative must be a person reasonably competent to examine such books and records. Any such person desiring to inspect and examine such records shall make a written request to the Partnership a reasonable time in advance of any time requested for such inspection. If such inspection may include access to confidential information of the Partnership or of other Partners, the Partnership may require the person requesting the inspection to execute an agreement to keep such information confidential and not to use such information other than for legitimate purposes in connection with the ownership or management of the Partnership. Any Partner may, at its own expense, obtain an audit of the books and records of the Partnership for the current and two prior years by a firm of independent certified public accountants selected by the Partner, subject to an appropriate confidentiality agreement. Investor Partners holding a minimum of 10% of the outstanding Partnership Interest (excluding any Partnership Interest, if any, held by the Managing Partner or affiliates) may obtain an audit by a national public accounting firm at the expense of the Partnership if an audit is not contracted for by the Managing Partner with a third party provider. The Partnership shall fully cooperate with any qualified accountants appointed to conduct such audit.

9.03 INFORMATION ABOUT PARTNERS. The Partnership shall not be required to provide the name, address or other identifying personal or financial information about a Partner, or any information about the Partnership Interest of any Partner, to any person who is not a Partner unless such information is validly subpoenaed or requested by a governmental agency having jurisdiction over the Partnership. If at any time the Partnership agrees, or is required, to provide any information about Partners or their Partnership Interest, the Partnership shall first obtain (a) the written representation of the person seeking such information that the information is sought for a proper purpose related to Partnership business or management (specifically stating such purpose) or valid governmental proceedings and (b) if deemed appropriate by the Managing Partner, the agreement by such person that the person will not disclose such information to non-Partners and/or will not use such information for anything other than matters related to Partnership business or management or for valid governmental proceedings. The

Managing Partner shall determine in its discretion whether the representation and agreement is sufficient to protect the Partnership and its Partners and/or preserve the privacy of information about the Partners, and whether the stated purpose is a proper purpose.

9.04 TAX RETURNS. The Managing Partner, as Tax Matters Partner, shall cause the preparation and timely filing of all tax returns required to be filed by the Partnership pursuant to the Code and all other tax returns deemed necessary or required in each jurisdiction in which the Partnership does business. Copies of such returns or pertinent information therefrom shall be furnished to the Partners [or their transferees] within a reasonable time after the end of the Partnership's fiscal year. The Managing Partner shall prepare, or cause to be prepared, and shall provide to each Partner [or their transferee], within 90 days following the close of each fiscal year or as soon as practical thereafter, a Schedule K-1 [form 1065] setting forth in sufficient detail such transactions effected by the Partnership during such fiscal year as shall enable each Partner [or their transferee] to prepare its United States Federal income tax return. Each Partner [and any transferee] agrees that it will not file any tax return inconsistent with allocations or items of income, gain, loss, deduction or credit reflected on any tax return or other tax related filing made by the Partnership.

9.05 TAX AUDITS. The Partnership may, if it is eligible and at the discretion of the Tax Matters Partner, elect to opt out of the partnership tax audit regime implemented under Internal Revenue Code Section 6221 for tax years beginning after 2018. The Tax Matters Partner shall notify all Partners of any proceedings commenced by the Internal Revenue Service, and thereafter shall furnish all Partners periodic reports at least quarterly on the status of such proceedings. The Tax Matters Partner is authorized and required to represent the Partnership in connection with all examinations of the Partnership by any taxing authority having jurisdiction over the Partnership, and to take such action, including settlement or litigation of such proceedings, as it, in its discretion, deems to be in the best interest of the Partnership. Each Partner [and any transferee] agrees to cooperate with the Tax Matters Partner and to do or refrain from doing any and all things reasonably requested by the Tax Matters Partner with respect to any such examination or any resulting filing or proceeding. No person other than the Tax Matters Partner shall have any right to (i) participate in any audit of any Partnership tax return; (ii) participate in any proceedings arising out of or in connection with any Partnership audit or tax return, amended tax return or claim for a refund; or (iii) appeal or otherwise challenge any findings in any such proceeding. The Tax Matters Partner shall have sole discretion to determine whether the Partnership will contest any proposed or assessed tax deficiencies or penalties on its own behalf or on behalf of the Partners [and transferees]. Any tax payment deficiency and penalty shall be allocated to and paid by the Partners [or their transferees] who held Partnership Interests in the year under review, in proportion to their respective Partnership Interests in the year under review. Any tax overpayment shall be allocated to the Partners [but not transferees] who hold Partnership Interests in the year in which the tax overpayment is finally determined by the Internal Revenue Service or other taxing authority, in proportion to their respective Partnership Interests. Each Partner [or its transferee] shall pay its proportionate share of any tax payment deficiency or penalty finally determined by the Internal Revenue Service or other taxing authority within 30 days after demand by the Tax Matters Partner. Each Partner [and any transferee] indemnifies and holds each other Partner harmless from payment of such indemnifying Partner's or transferee's proportionate share of any tax payment deficiency.

9.06 FINANCIAL STATEMENTS. The Managing Partner may in its discretion obtain an audit, at the expense of the Partnership, of the books of account and records of the Partnership by a firm of independent certified public accountants selected by the Managing Partner. The Managing Partner shall prepare, or cause to be prepared, on a tax reporting basis, and shall provide to each Partner [or their transferee], as soon as practical after the end of each fiscal year, financial statements setting forth:

(a) a balance sheet of the Partnership as of the end of such fiscal year;

(b) statements of income for such fiscal year; and

(c) the Capital Account of each Partner or transferee as of the end of such fiscal year.

Each Partner acknowledges that the Managing Partner's ability to provide information to the Partners depends in part on the ability to obtain information from third parties, which information may not be available or may not be made available on a timely basis, and each Partner agrees that the Managing Partner shall not be liable for untimely, missing or inaccurate information provided by third parties.

ARTICLE X
TRANSFER OF INTERESTS

10.01 GENERAL. This Article X shall not apply to initial admission of Partners pursuant to Article III of this Agreement and section 10.04 shall not apply to transfers of Partnership Interests between existing Partners of the Partnership. Partners should note that, as defined, a Transfer includes any pledge or hypothecation of a Partnership Interest. A Partnership Interest, and any interest in a Partnership Interest, may not be Transferred, voluntarily or involuntarily (including by operation of law or otherwise), except in accordance with the provisions of this Article X. A Partner shall obtain the prior written consent of the Managing Partner for any Transfer subject to this Article X other than a Transfer by operation of law. Any attempt to Transfer any interest in a Partnership Interest in violation of this Agreement or any applicable state or federal law shall be void and of no effect, except that any Transfer by operation of law shall result in the transferee having the rights of an assignee who has not been admitted as a Partner, as to allocations and distributions, but not the rights of a Partner under this Agreement unless admitted as a Partner by the Managing Partner. The transferee shall provide to the Managing Partner its taxpayer identification number, passport and related information of any natural person transferee or control person of any transferee, and any other information reasonably necessary to permit the Partnership to file required tax returns or comply with anti-money laundering laws. A Partner that is an entity may change its name, or merge or consolidate with an affiliate, without the prior consent of the Managing Partner, and such action shall not be considered a Transfer subject to this Article X. A Partner may transfer all or part of its Partnership Interest to a trust or other entity established for the benefit of the Partner, or its direct or indirect beneficial owners and/or members of their immediate family, in connection with estate planning, with prior notice to the Managing Partner, and such action shall not be considered a Transfer subject to this Article X; provided that any such transferee shall be admitted as a Partner only upon the consent of the Managing Partner and only if such transferee is at the time an Accredited Investor.

10.02 PARTNERSHIP INTERESTS ARE RESTRICTED SECURITIES. Partnership Interests have not been registered under the Securities Act or under the securities laws of any state or other jurisdiction, and may not be offered or Transferred unless and until registered under such act and laws or the Partnership has received an opinion of counsel satisfactory to the Partnership, in form and substance satisfactory to the Partnership, that such offer or Transfer is in compliance therewith. The Managing Partner may waive the requirement for an opinion of counsel in its discretion. No Transfer shall be made which, in the opinion of counsel to the Partnership, would (i) result in the Partnership being considered to have been terminated for purposes of Section 708 of the Code; (ii) would not satisfy any applicable safe harbor under the Regulations from "publicly traded partnership" status; or (iii) would otherwise result in materially adverse tax consequences to the Partnership or the Partners. The Partnership may require a Partner desiring to transfer its Partnership Interest to provide an opinion of counsel in form and substance satisfactory to the Partnership that such transaction would not result in the Partnership being considered terminated under the Code and Regulations. No Transfer shall be made which, in the opinion of counsel to the Partnership, would result in the assets of the Partnership being considered plan assets for purposes of the Employee Retirement Income Security Act. No Transfer shall be made which, in the opinion of counsel to the Partnership, would require the Partnership to register as an investment company under the Investment Company Act of 1940 or similar laws of other jurisdictions. No Transfer shall be made which, in the opinion of counsel to the Partnership, would require the Partnership to file or register with the United States Commodity Futures Trading Commission or a similar regulator in any other jurisdiction. The transferee shall provide its taxpayer identification number and related information of any natural person transferee or control person of any transferee, and any other information reasonably necessary to permit the Partnership to file required tax returns, to the Managing Partner. The transferee shall provide appropriate identifying information regarding itself or any control person and any other information required by the Managing Partner to comply with any currency transaction laws, financial privacy laws, anti-money laundering laws or similar laws.

10.03 RIGHT OF FIRST REFUSAL. Any Partner or Partner's legal representative desiring to Transfer all or part of its Partnership Interest to a person other than one of the other Partners, for any reason other than a Transfer by operation of law or as a gift, shall first notify the Managing Partner in writing of its intention to Transfer, stating the name and address of the proposed transferee, the amount of Partnership Interest proposed to be Transferred, the consideration proposed to be received therefore, and the proposed terms of the Transfer. The Managing Partner in its discretion shall have the exclusive right and privilege to arrange the purchase of the Partnership Interest proposed to be Transferred, by the Partnership or other Partners, for the proposed consideration within thirty (30) days after the receipt of such written notice. If the Managing Partner does not arrange the purchase of the Partnership Interest so offered, during the next succeeding 90-day period the Partner or Partner's legal representative desiring to Transfer the Partnership Interest may then Transfer such Partnership Interest to the person and at the price and terms stated in the offer. If the Partnership Interest is not so Transferred, it shall not be subsequently Transferred without first again offering it to the Managing Partner as provided above. This section 10.3 shall not be construed as limiting in any way the authority and discretion of the Managing Partner either to give or withhold its consent to any proposed Transfer of Partnership Interests by a Partner, or to the admission of the transferee as a Partner even though the Managing Partner shall not have exercised the right and privilege to purchase such Partnership Interest.

10.04 CONSENT REQUIRED FOR SUBSTITUTION OF NEW PARTNER. Subject to sections 10.01, 10.02 and 10.03, a transferee of any Partnership Interest may become a Partner only upon (a) execution and delivery by the transferee of a written acceptance and adoption of this Agreement, as the same may be amended, together with such other documents, if any, as the Managing Partner may require; (b) the payment to the Partnership by the Partner assigning its Partnership Interest of all reasonable expenses incurred by the Partnership in connection with such assignment; and (c) upon the consent of the Managing Partner, which may, in each case, be given or denied in the absolute discretion of the Managing Partner. Upon such execution, payment and consent, the transferee shall, with respect to the Partnership Interest assigned, be admitted to the Partnership and become a substituted Partner therein. A transferee who is not admitted as a Partner shall be entitled to allocations and distributions in respect to the Partnership Interest transferred but shall not have any other rights under this Agreement.

ARTICLE XI
DISSOLUTION AND TERMINATION

11.01 DISSOLUTION. The Partnership shall only be dissolved upon the earlier of:

(a) the Managing Partner, with the consent of a Majority-in-Interest, determining that the Partnership should be dissolved;

(b) the Managing Partner becoming subject to an Event of Withdrawal, except as provided below in this section 11.01;

(c) the Partnership becoming insolvent or bankrupt;

(d) the sale or other disposition of all or substantially all of the Partnership's assets or the termination of all royalty interests owned by the Partnership;

(e) December 31, 2050, subject to extension by the Managing Partner in its discretion for up to two additional years in order to permit an orderly disposition of Partnership assets; or

(f) any other event that, under the Texas BOC, would cause its dissolution, provided that the Partnership shall not be dissolved upon the request for a winding up of the Partnership from any Partner.

The merger, consolidation, recapitalization, or reorganization of the Managing Partner shall not be deemed an event requiring winding up or dissolution of the Partnership. The withdrawal of any general partner or the conversion of any general partner interest into a Limited Partner interest shall not be deemed an event requiring winding up or dissolution of the Partnership.

If the Managing Partner becomes subject to an Event of Withdrawal, the Managing Partner or any other Partner shall deliver written notice thereof to all Limited Partners and the Partnership shall be deemed to be reconstituted if there remains at least one Partner willing to serve as Managing Partner [and, in such capacity, to be a general partner], who is approved as Managing Partner by the consent of a Majority-in-Interest, in which case the business of the Partnership shall be carried on and such Partner shall serve as Managing Partner, and, if there is more than one Partner willing to serve as Managing Partner, a Majority-in-Interest shall determine which Partner shall serve as Managing Partner. If no Partner willing to serve as Managing Partner remains, the Partnership shall dissolve and thereafter shall conduct only activities necessary to wind up its affairs unless a Majority-in-Interest votes to reconstitute the partnership. If the Partnership is reconstituted, then:

(a) the Partnership shall continue until thereafter dissolved in accordance with this Article XI; and

(b) the Partnership Interest of the former Managing Partner shall be treated thenceforth as the interest of a Limited Partner, and a portion of its Partnership Interest shall be offered to the successor managing partner and the remainder converted in the manner provided in section 5.11(d) of this Agreement; and

(c) all necessary steps shall be taken to amend or restate this Agreement and the certificate of limited partnership, and the successor Managing Partner may for this purpose exercise the power of attorney granted pursuant to this Agreement.

Upon the occurrence of the event set forth in section 11.01(f) of this Agreement, the Managing Partner shall deliver written notice thereof to all Limited Partners and the Partnership shall be deemed to be reconstituted if, within 90 days after such event, the remaining Partners by the consent of a Majority-in-Interest elect in writing to continue the business of the Partnership. If no election to continue the Partnership is made by a Majority-in-Interest of the remaining Partners within 90 days of the event of dissolution, the Partnership shall dissolve and thereafter shall conduct only activities necessary to wind up its affairs. If the Partnership is reconstituted, then:

(a) the Partnership shall continue until thereafter dissolved in accordance with this Article XI; and

(b) all necessary steps shall be taken to amend or restate this Agreement and the certificate of limited partnership, and the Managing Partner may for this purpose exercise the power of attorney granted pursuant to this Agreement.

11.02 EFFECT OF DISSOLUTION. Upon dissolution, the Partnership shall cease to carry on its business, except as permitted by the Texas BOC. Upon dissolution, the Managing Partner or liquidator shall file a statement of commencement of winding up and publish the notice permitted by the Texas BOC.

11.03 DISTRIBUTION UPON DISSOLUTION. Upon a dissolution and termination of the Partnership for any reason, the liquidator shall cause the Partnership to make a full and proper accounting of the assets, liabilities and operations of the Partnership, as of and through the last day of the month in which the dissolution occurs, shall liquidate the assets as promptly as is consistent with obtaining the fair market value thereof, and shall apply and distribute the proceeds therefrom as follows:

(a) to payment of outstanding liabilities of the Partnership;

(b) to the Managing Partner in payment of any unpaid management fee;

(c) to the Partners [or their transferees] in proportion to their respective Capital Accounts until the Capital Account of each Partner [or transferee] has been reduced to zero; and

(d) then the remainder, if any, shall be distributed to the Investor Partners and to ProAk, in accordance with sections 8.01(a) and (b).

Upon dissolution, each Partner shall look solely to the assets of the Partnership for the return of its Capital Contributions, and shall be entitled only to a cash distribution or a distribution in kind of the Partnership's assets

made in accordance with section 11.04 hereof. Upon dissolution, no value shall be attributed to the intangible assets of the Partnership. ProAK shall retain all rights to the Partnership name, any goodwill associated with the Partnership, and all intellectual property assigned to the Partnership or used or developed in whole or in part by it.

11.04 DISTRIBUTION IN KIND. If the Managing Partner (or other person acting as liquidator) determines that a portion of the Partnership's assets should be distributed in kind to the Partners in connection with a liquidation of the Partnership, an independent appraisal of the fair market value of each such asset as of a date reasonably close to the date of liquidation shall be obtained. Any unrealized appreciation or depreciation with respect to any asset to be distributed in kind shall be allocated among the Partners (in accordance with the provisions of Article VIII, and assuming that the assets were sold for the appraised value) and taken into consideration in determining the balance in the Partners' Capital Accounts as of the date of final liquidation. Distribution of any such asset in kind to a Partner shall be considered a distribution of an amount equal to the asset's fair market value for purposes of section

11.05 LIQUIDATING TRUST. The Managing Partner (or other person acting as liquidator) may establish a liquidating trust for the benefit of the Partners and transfer assets to such trust.

11.06 LIQUIDATOR. Any person acting as liquidator shall be protected from liability and entitled to indemnification to the same extent as the Managing Partner.

11.07 TERMINATION. Upon the completion of the distribution of Partnership assets as provided in this Article XI, the existence of the Partnership shall be terminated.

11.08 CERTIFICATE OF TERMINATION. When all debts, liabilities and obligations have been paid and discharged or adequate provisions have been made therefore and all of the remaining property and assets have been distributed to the Partners, a certificate evidencing such termination may be executed and filed with the Secretary of State of Texas in accordance with the Texas BOC.

11.09 RETURN OF CONTRIBUTION NONRECOURSE TO OTHER PARTNERS. Except as provided by law or as expressly provided in this Agreement, upon dissolution, each person shall look solely to the assets of the Partnership for the return of the person's Capital Account. If the Partnership property remaining after the payment or discharge of the debts and liabilities of the Partnership is insufficient to return the Capital Account of one or more persons, including, without limitation, all or any part of that Capital Account attributable to Capital Contributions, then such persons shall have no recourse against any other Partner or transferee.

ARTICLE XII
POWER OF ATTORNEY

12.01 Each Partner hereby irrevocably makes, constitutes, and appoints the Managing Partner as its true and lawful attorney to exercise, or refrain from exercising, any and all Executive Rights, and to make, sign, execute, acknowledge, swear to, and file with respect to the Partnership:

(a) all documents of transfer of a Partner's interest and all other instruments to effect such transfer;

(b) all certificates of limited partnership as are required by law, and all amendments to this Agreement and to the Partnership's certificates of limited partnership regarding a change in the name of the Partnership, or a change in its registered office or registered agent;

(c) all amendments adopted in compliance with this Agreement;

(d) all documents (including counterparts of this Agreement) which the Managing Partner deems appropriate to qualify or continue the Partnership as a limited partnership in the jurisdictions in which the Partnership may conduct business; and

(e) all conveyances and other documents, instruments, and certificates which the Managing Partner deems appropriate to exercise Executive Rights or to effect the certification, dissolution, liquidation, or termination of the Partnership.

The foregoing grant of authority is hereby declared to be irrevocable and a power coupled with an interest, which shall survive the death and disability of any Partner. In the event of any conflict between the provisions of this Agreement and any document executed or filed by the Managing Partner pursuant to the power of attorney granted in this section, this Agreement shall govern.

ARTICLE XIII.
GENERAL PROVISIONS

13.01 GOVERNING LAW. This Agreement, and the application or interpretation hereof, shall be governed by its terms, by the Texas BOC and by the laws of the state of Texas, without regard to Texas conflict of law provisions that would require or permit reference to the laws of any other jurisdiction, and without reference to the laws of any other jurisdiction, except to the extent such Texas laws are preempted by applicable federal laws. The Partnership hereby elects that each Partnership Interest in the Partnership shall constitute a security governed by Chapter 8 of the Texas Business and Commerce Code - Investment Securities, pursuant to Section 8-103(c).

13.02 EXECUTION OF ADDITIONAL INSTRUMENTS. Each Partner hereby agrees to execute such other and further statements of interest and holdings, designations, powers of attorney and other instruments necessary to comply with any laws, rules or regulations.

13.03 CONSTRUCTION. Whenever the singular number is used in this Agreement and when required by the context, the same shall include the plural and vice versa, and each gender shall include all other genders.

13.04 HEADINGS. The headings in this Agreement are inserted for convenience only and are in no way intended to describe, interpret, define, or limit the scope, extent or intent of this Agreement or any provision hereof.

13.05 WAIVERS. No waiver of any provision or violation of this Agreement shall constitute a waiver of any other provision or of any further or other violation. No failure to enforce a right or remedy shall constitute a waiver of that or any other right or remedy.

13.06 RIGHTS AND REMEDIES CUMULATIVE. The rights and remedies provided by this Agreement are cumulative and the use of any one right or remedy shall not preclude or waive the right to use that right or remedy again or to use any or all other rights or remedies. Such rights and remedies are in addition to any other rights the parties may have by law, statute, ordinance or otherwise.

13.07 EXHIBITS; ENTIRE AGREEMENT. All exhibits referred to in this Agreement and attached hereto are incorporated herein by this reference. This Agreement and the subscription agreement for any Partnership Interest executed by any Partner together constitute the entire agreement and understanding between and among all Partners and the Partnership regarding matters covered by such agreements, and shall supercede any prior or contemporaneous oral agreements. This Agreement and any subscription agreement may not be modified without the consent of each affected party, except as provided in section 13.14 of this Agreement.

13.08 HEIRS, SUCCESSORS AND ASSIGNS. Each and all of the covenants, terms, provisions and agreements herein contained shall be binding upon and inure to the benefit of the parties hereto and, to the extent permitted by this Agreement, their respective heirs, legal representatives, successors and assigns. The provisions of this Agreement shall bind any person holding a Partnership Interest who has not been admitted as a Partner.

13.09 CREDITORS. None of the provisions of this Agreement shall be for the benefit of or enforceable by any creditor of the Partnership or of any Partner or by any other person not a party hereto.

13.10 EXECUTION AND COUNTERPARTS. An electronic signature or an electronic copy of a signature to this Agreement or any other notice or document regarding the Partnership shall be given legal effect and deemed valid and binding on the person authorizing or transmitting such signature and any person to whom the signature is attributable, whether or not such signature is encrypted or otherwise verified. This Agreement may be executed in

counterparts, each of which shall be deemed an original but all of which shall constitute one and the same instrument.

13.11 FEDERAL INCOME TAX ELECTIONS. All elections required or permitted to be made by the Partnership under the Code, any state tax laws or any other relevant tax laws shall be made by the Tax Matters Partner in its discretion. The provisions on limitations of liability of the Managing Partner and indemnification set forth in Article V hereof shall be fully applicable to the Tax Matters Partner in its capacity as such.

13.12 NOTICE. Each Partner and other person bound by this Agreement agrees that the Partnership may transmit information about or from the Partnership, disclosures and notices electronically on an unencrypted basis (i) via email to the email address designated by the Partner in its initial subscription or subsequently designated by the Partner by a written notice made in accordance with the following sentence, (ii) by access to a web site that the Partnership designates in an email notice the Partnership sends to a Partner at the time the information is available, or (iii) to the extent permissible by law, by access to a web site that the Partnership designates in advance for such purpose. In addition, any notice or document sent to or by the Partnership or any Managing Partner or Partner or transferee may be sent by hand delivery or by facsimile providing confirmation of receipt or by Federal Express or similar courier delivery or by U. S. Postal Service certified mail, return receipt requested, to the party entitled to receive such notice or other document at the address provided herein for the Partnership for any notice to the Partnership or any Managing Partner and at the address provided to the Partnership by any Partner in its initial subscription agreement for any notice to any Partner or transferee, or any such other address as such person may request in a written notice made in compliance herewith. Such notice or document will be deemed received on the earlier of the date actually received, if provided by email, through a web site, by hand delivery, confirmed facsimile or courier delivery, or three business days after it is deposited in the U.S. mail properly addressed and sent by certified mail, return receipt requested. Notice provided in accordance with this section shall be effective notwithstanding anything in the Texas BOC to the contrary. A Partner may withdraw its consent to receipt of information, disclosures or notices via unencrypted email by notice to the Managing Partner sent in accordance with the second sentence of this section.

13.13 INVALIDITY. The invalidity or inability to enforce any particular provision of this Agreement shall not affect the other provisions hereof, and the Agreement shall be construed in all respects as if such invalid or unenforceable provision were omitted. If any particular provision herein is construed to be in conflict with the provisions of the Texas BOC, the provisions of this Agreement shall control to the fullest extent permitted by applicable law.

13.14 AMENDMENTS TO THE AGREEMENT. The Managing Partner is specifically authorized to make amendments to this Agreement if necessary or appropriate in the Managing Partner's discretion to comply with the Internal Revenue Code or to carry out the intent of the distribution provisions, but only if any such amendment does not substantially alter a Partner's right to distributions. The Agreement may be amended in all other instances only by the consent of a Majority-in-Interest except that any amendment to this section 13.14 shall require the unanimous affirmative vote of all Partners. The Partners by the consent of a Majority-in-Interest may modify or waive any provision of the Texas BOC that is permitted to be modified or waived.

13.15 ARBITRATION OF DISPUTES.

(a) Any issue, dispute, claim or controversy (collectively, a Claim) between the undersigned and the Partnership, the Managing Partner, or any officer, director, employee, manager, member, affiliate and legal counsel of any of the aforementioned, arising out of or relating to this Subscription Agreement and the undersigned's participation, shall be resolved as provided in this Section 6. The arbitrators chosen pursuant to Section 6(b), and not any federal, state, or local court or agency, shall have exclusive authority to resolve any dispute relating to the interpretation, applicability, enforceability or formation of this Subscription Agreement including, but not limited to, any claim or dispute relating to the interpretation, applicability, enforceability or formation of this arbitration agreement or whether this arbitration agreement or this Subscription Agreement is void or voidable. A party alleging a Claim shall notify the party against whom the Claim is asserted in writing (the Arbitration Notice) of its intention to have the Claim resolved by confidential and binding arbitration. This Arbitration Notice shall be sent so that it is received by the other party no later than ten (10) business days before the initiation of any arbitration proceeding.

Any Claim shall be arbitrated in Dallas, Texas, governed by the laws of the State of Texas and in accordance with the Commercial Rules of Arbitration of the American Arbitration Association in effect at that time.

(b) A total of three arbitrators shall be appointed in accordance with this Section 6(b). Unless otherwise agreed to in writing by all the parties, within ten (10) business days after the initiation of the arbitration, the parties filing a Claim and the parties against whom the Claim is asserted, shall each appoint one arbitrator, and the two arbitrators so chosen shall select a third arbitrator within thirty (30) calendar days of the expiration of the 10-day period. Unless otherwise agreed to in writing by all the parties, each arbitrator shall have at least ten (10) years of experience in an industry or profession related to the subject matter involved in the Claim, and all arbitration proceedings shall be held, and a transcribed record thereof shall be prepared, in English.

(c) No party involved in the arbitration shall have the right to conduct discovery of the other (except as the arbitrators may so order on the application of another party), but shall furnish to the arbitrators such information as the arbitrators may reasonably request to facilitate the resolution of the Claim. The arbitrators shall announce the award and the reason therefor in writing within one (1) year from the date of the selection of the third arbitrator, or such later date as the parties may agree upon in writing,

(d) All parties to the arbitration shall bear their own expenses of the arbitration, including those relating to the compensation paid to the arbitrators (1/2 of all such costs), their attorney's fees, expert fees and presentation of proof with respect to the Claim. No decision or arbitration award by the arbitrators shall include an award of attorney's fees to any party.

(e) Any award granted by the arbitrators shall not include factual findings and legal reasoning.

(f) Following the entry of any award granted by the arbitrators, a party may move to confirm the award in any court having jurisdiction thereof. Should the award be confirmed by a court of competent jurisdiction, the right of either party to appeal confirmation of the award shall be governed by the provisions of the Federal Arbitration Act.

(g) Nothing in this Agreement shall limit a party's ability to pursue injunctive relief in a court of competent jurisdiction to the extent legally permissible.

13.16 DETERMINATION OF MATTERS NOT PROVIDED FOR IN THIS AGREEMENT. The Managing Partner shall decide any and all questions arising with respect to the Partnership and this Agreement that are not specifically or expressly provided for in this Agreement.

This Agreement was adopted effective as of September ___, 2017.

GENERAL PARTNER:

PROAK, LLC

By:_____
Name: Shawn E. Bartholomae, Manager

INITIAL LIMITED PARTNER:
(For purposes of formation of the Partnership)

By:_____
Name: Shawn E. Bartholomae

EXHIBIT A
NORTHERN LIGHTS ROYALTIES III LP
A Texas limited partnership

Partners

Effective as of September ___, 2017

Name and Address	Partnership Interest	Capital Contribution
GENERAL PARTNER:		
ProAK, LLC	15% Net Distribution Interest	as described
LIMITED PARTNER:		
Shawn E. Bartholomae	Limited Partner	as reflected on the records of the Company

NORTHERN LIGHTS ROYALTIES III LP

SUBSCRIPTION DOCUMENTS

EXHIBIT B TO CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM

[This page has been intentionally left blank.]

NORTHERN LIGHTS ROYALTIES III LP

SUBSCRIPTION DOCUMENTS

The Subscription Documents include the following:

1. The Subscription Agreement sets forth the terms and conditions you must agree to in order to subscribe for a Partnership Interest. All investors must acknowledge the terms and restrictions of the offering and make certain representations and warranties to the Managing Partner. If you will be using the services of a purchaser representative, you must also send completed and signed purchaser representative documents, forms of which will be provided to you upon request.

2. The Limited Partnership Agreement Signature Page. Any Partnership Interest you acquire is subject to the terms of the Limited Partnership Agreement. Read the Limited Partnership Agreement attached as an exhibit to the Memorandum and then sign the Limited Partnership Agreement Signature Page.

3. The Investor Questionnaire requires that you provide written answers to specific questions which are intended to provide information sufficient for the Managing Partner to determine if you qualify as an accredited investor.

4. Accredited Investor Verification. We are required by law to take reasonable steps to verify that purchasers in an offering such as this are accredited investors. The Accredited Investor Verification must be completed and returned to the Managing Partner.

DIRECTIONS FOR COMPLETING THE SUBSCRIPTION DOCUMENTS

1. Read the Memorandum and request and review any additional information or documents you believe are necessary or advisable in order for you to understand the terms of the offering, the proposed plan of business and the risks of an investment in the Partnership.

2. Read the Subscription Agreement, fill in the subscription price for the Partnership Interest, then sign and date on the signature page of the Subscription Agreement. If you are purchasing through a broker-dealer, please provide the name of the registered representative and his/her associated broker-dealer firm. Please be aware that by signing the Subscription Agreement signature page you agree to be bound by the Subscription Agreement if and when your subscription is accepted by us.

3. Sign the Limited Partnership Agreement Signature Page. Please be aware that by signing the Partnership Agreement Signature Page you agree to be bound by the terms of the Partnership Agreement, if your subscription is accepted.

4. Read and complete the Investor Questionnaire by providing all of the requested information. Please be aware that by completing and signing the Investor Questionnaire you affirm that the information you provided is true and correct in all respects.

5. Provide an Accredited Investor Verification completed and signed by your accountant, your attorney, your SEC registered investment adviser or your registered securities broker/dealer. Alternatively, you may provide to us copies of your United States Federal Income Tax Return for each of the two most recent years, and complete the Client Certifications portion of the Accredited Investor Verification.

A SUBSCRIPTION AGREEMENT SIGNATURE PAGE, A LIMITED PARTNERSHIP AGREEMENT SIGNATURE PAGE, AND THE INVESTOR QUESTIONNAIRE MUST BE COMPLETED, DATED AND SIGNED.

6. **After you have tendered the above documents to the Managing Partner and you have been notified that you have been verified by the Managing Partner as an "accredited investor" you must tender payment to the Partnership for the amount of your purchase of partnership interest. Payment may be delivered as follows:**

   (1) check or cashier's check payable to "Northern Lights Royalties III LP" or
   (2) wire transfer into the account created for the Partnership (wiring instructions will be delivered upon request); or
   (3) signed instructions for account-to-account transfers where the funds to be invested are held by a custodian such as the trustee for an IRA. These instructions should be on the form required by your custodian, and you should obtain the forms from them.

We must receive your Subscription Documents by the close of business on the termination date set out in the Memorandum, March 18, 2018, unless the offering is completed, withdrawn or terminated earlier, or extended in our discretion as provided for in the Memorandum.

Make Checks Payable to:
NORTHERN LIGHTS ROYALTIES III LP
Send your subscription documents to:
Northern Lights Royalties III LP
c/o ProAK, LLC
660 W. Southlake Blvd. Suite 200
Southlake, Texas 76092

NORTHERN LIGHTS ROYALTIES III LP

EXHIBIT B - SUBSCRIPTION AGREEMENT

Northern Lights Royalties III LP
c/o ProAK, LLC
660 W. Southlake Blvd. Suite 200
Southlake, Texas 76902

Gentlemen:

I acknowledge that I have received and reviewed the private placement memorandum dated September 25, 2017, and all exhibits thereto (the Memorandum), relating to the private offering of partnership interests (Partnership Interests) issued by Northern Lights Royalties III LP, a Texas limited partnership (the Partnership). I understand that the Partnership Interests are being privately offered on the terms and in the manner described in the Memorandum to a limited number of accredited investors acceptable to the Partnership.

Capitalized terms used in this Subscription Agreement shall have the meanings given such terms in the Memorandum. If I am executing this Subscription Agreement on behalf of a partnership, limited liability company, corporation, trust, or other entity, representations, acknowledgments and warranties made by me herein are deemed to be representations, acknowledgments and warranties of such entity.

1. **Subscription**. Subject to the terms and conditions hereof and the provisions of the Memorandum, I hereby subscribe for and agree to purchase a Partnership Interest issued by the Partnership in accordance with the terms and conditions of the Memorandum and this Subscription Agreement. I hereby tender (a) payment to the Partnership of a Capital Contribution in the amount set forth above my signature, representing the subscription price of the Partnership Interest; (b) this Subscription Agreement completed and signed; (c) a completed and signed Investor Questionnaire; (d) a signed Partnership Agreement Signature Page; (e) a completed and signed Accredited Investor Verification; and (f) if applicable, completed and signed purchaser representative documents.

I acknowledge that the Partnership Agreement Signature Page shall not become binding unless I am verified as an accredited investor and this Subscription Agreement is accepted by the Managing Partner. If I am verified as an accredited investor and this Subscription Agreement is accepted, the Partnership Agreement shall become effective as between the Partnership and the subscriber and the Capital Contribution will become available for use by the Partnership. If this Subscription Agreement is rejected for any reason, the Capital Contribution will be returned promptly to the subscriber, without interest, the Partnership Agreement shall not become effective as between the Partnership and the subscriber, and this Subscription Agreement shall be rendered void and of no further force or effect.

2. **Acceptance of Subscription; Compliance with Partnership Agreement**. I understand and agree that this Subscription Agreement is made subject to the following terms and conditions:

(a) The Managing Partner, in its sole discretion, shall have the right to accept or reject this Subscription Agreement in whole or in part, and it shall be deemed to be accepted only when it is signed by the Managing Partner;

(b) The Managing Partner shall have no obligation to accept Subscription Agreements for Partnership Interests in the order received; and

(c) I ratify, adopt, accept, and agree to be bound by the terms of the Partnership Agreement and to sign any and all further documents necessary in connection with the subscriber becoming a Partner.

3. **My Representations and Warranties**. I hereby acknowledge and represent and warrant to and covenant with the Managing Partner, the other Partners in the Partnership, and each governing person or equity owner of each of the foregoing that:

(a) I recognize that this transaction has not been scrutinized or recommended by any state or federal securities authority, and understand that no federal or state agency has passed upon the offering or has made any finding or determination as to the fairness of the terms or the merits of an investment in the Partnership.

(b) I am an accredited investor and meet each of the suitability standards set forth in the Memorandum and any additional suitability standards required by the securities laws of the state of my residence.

(c) I have adequate means of providing for my current needs and possible personal contingencies. I will not rely on distributions of income from the Partnership to pay ordinary living expenses. I have no need now, and anticipate no need in the foreseeable future, to re-sell the Partnership Interest. I am able to bear the economic risks of this investment for an indefinite period of time. I have a sufficient net worth to sustain a total loss of my entire investment in a Partnership Interest if such loss should occur.

(d) I have not been furnished, and in making my decision to invest I am not relying on, any documents, agreements or offering literature other than the Memorandum and any supplemental information furnished to me by the Managing Partner pursuant to my request.

(e) The Partnership has, during the course of the offering and before the sale of the Partnership Interests, afforded me and my advisors, if any, the opportunity to ask questions of and receive answers from the Managing Partner concerning the terms and conditions of the offering and to obtain any additional information from the Managing Partner, to the extent the Managing Partner possesses such information or could have acquired it without unreasonable effort or expense, necessary to verify the accuracy of the information contained in the Memorandum.

(f) I have received and read the Memorandum in its entirety; all matters relating to the investment have been discussed and explained to me to my full satisfaction. I understand the speculative nature and the risks involved in an investment in the Partnership, including the risk that I may lose all of my investment in the Partnership.

(g) If I have employed a purchaser representative in connection with evaluating the merits and risks of an investment in a Partnership Interest, I have acknowledged who such person is and that such person is my "purchaser representative" as such term is used in Rule 501(h) of Regulation D of the Securities and Exchange Commission's rules and regulations.

(h) I understand the risks of, and other considerations relating to, a purchase of a Partnership Interest, including the risks set forth in the Memorandum. I recognize that my investment in a Partnership Interest is speculative and involves a degree of risk which may result in the complete loss of my entire investment in a Partnership Interest. I have been advised and am fully aware that oil and gas related investments involve a high degree of risk.

(i) I understand that the Partnership Interests have not been registered under the Securities Act of 1933, as amended, or under the securities laws of any state or other jurisdiction, and, therefore, cannot be re-sold unless they are subsequently so registered or an exemption from such registration is available.

(j) I, either alone or together with my purchaser representative or representatives, have such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of an investment in a Partnership Interest.

(k) No other person has any right, title, interest, participation, or claim in or to the Partnership Interest for which I am subscribing, except for any interest the spouse of an individual may have under community property laws.

(l) I understand that the Partnership has no significant assets or income. I understand that the Partnership must receive cash flow from its operations to be able to make cash distributions to the Partners. I understand that I will be required to pay Capital Calls annually and that if I fail to pay three Capital Calls my Partnership Interest may be forfeited.

(m) I am acquiring a Partnership Interest for investment solely for my own account and without any intention of reselling, distributing, subdividing, or fractionalizing them, and have no present intention of dividing the Partnership Interest with others or of reselling or otherwise disposing of any portion of the Partnership Interest either currently or after the passage of time or upon the occurrence or nonoccurrence of any predetermined event or circumstance.

(n) I have received no written or oral representations or information from the Managing Partner or any other person which were in any way inconsistent with the information stated in the Memorandum, and in deciding to purchase the Partnership Interest subscribed for hereby, I have relied solely upon my review of the Memorandum and independent investigations made by me, my purchaser representative(s), if any, and my advisors, if any, and have not relied upon oral statements of the Managing Partner or any other person.

(o) I understand and agree that the following restrictions and limitations are applicable to my purchase and resale, pledges, hypothecations, or other transfers of the Partnership Interest:

(1) The Partnership Interests shall not be re-sold, pledged, hypothecated, or otherwise transferred unless they are registered under the Securities Act and applicable state securities laws or an exemption from such registration is available, and any transfer is subject to the provisions of the Partnership Agreement.

(2) Legends have been placed on the Partnership Agreement and will be placed on any certificate or other document evidencing the Partnership Interest to the effect that the Partnership Interests have not been registered under the Securities Act of 1933, as amended, any state securities statutes or the securities laws of any other jurisdiction, in reliance on exemptions from registration as provided in those statutes and laws. The effectiveness of any sale or other disposition may be conditioned upon my providing to the Partnership an opinion of counsel satisfactory to the Partnership that such disposition can be made without registration under applicable securities statutes and laws.

(3) Stop transfer instructions will be placed with the transfer records of the Partnership with respect to the Partnership Interest so as to restrict the resale, pledge, hypothecation, or other transfer thereof.

(p) I acknowledge that no assurances have been made to me by the Managing Partner, or its manager, or any of their representatives or agents regarding the tax advantages, if any, that may inure to the benefit of the Partners of the Partnership, nor has any assurance been made by any of those persons that existing tax laws and regulations will not be modified in the future, thus denying the Partners of the Partnership all or a portion of any tax benefits which they may hope to receive, and I understand that some of the deductions claimed by the Partnership, or the allocation of items of income, gain, loss, or deduction among the participants in the Partnership, may be challenged and disallowed by the Internal Revenue Service and that the discussion of the tax consequences in the Memorandum is limited and general in nature and that the tax consequences to me will depend on my particular circumstances.

(q) If I am purchasing in an individual capacity, I am at least 21 years of age and a bona fide resident and domiciliary (not a temporary or transient resident) of the state or jurisdiction set forth below my signature hereto, and have no present intention of becoming a resident of any other state or jurisdiction.

(r) If the undersigned is a partnership, corporation, trust, or other entity, (1) I have the necessary power and authority to sign the Subscription Documents, and (2) the undersigned entity was not organized for the specific purpose of acquiring the Partnership Interest.

(s) I represent and warrant that I am not, nor will I at any time become, subject to any law, regulation, or list of any government agency (including, without limitation, the U.S. Office of Foreign Asset Control List) that prohibits or limits the Managing Partner from making any advance or extension of credit to me or from otherwise conducting business with me. I agree to provide documentary and other evidence of my identity and the identity of any other joint subscriber as may be requested by the Managing Partner at any time to enable the Managing Partner to verify identity or to comply with any applicable law or regulation, including, without limitation, Section 326 of the USA Patriot Act of 2001, 31 U.S.C. Section 5318.

(t) The foregoing representations, warranties, and agreements, together with all other representations and warranties made or given by me in any other written statement or document delivered in connection with the transactions contemplated hereby, shall be true and correct in all respects on and as of the date of the admission of the undersigned to the Partnership as if made on and as of such date and shall survive such date.

4. **Indemnification**. I acknowledge and understand the meaning and legal consequences of the representations, warranties, and agreements set forth herein and that the Partnership, the Managing Partner, the persons who become Partners in the Partnership, and each member, manager, officer, director, controlling person, representative, agent, and/or employee of the foregoing, have relied or will rely upon such representations, warranties, and agreements, and I hereby agree to indemnify and hold harmless such persons, and each of them, from and against any and all losses, claims, damages, liabilities, or expenses, and any actions in respect thereof, joint or several, to which any such person may become subject, due to or arising out of a breach of any such representation, warranty, or agreement, together with all reasonable costs and expenses (including attorneys' fees) incurred by any such person in connection with any investigation, action, suit, proceeding, demand, assessment, or judgment incident to any of the matters so indemnified against. Notwithstanding the foregoing, however, no representation, warranty, acknowledgment, or agreement made herein by me shall in any manner be deemed to constitute a waiver of the rights granted to me under federal or state securities laws. All representations, warranties, and agreements contained in this Subscription Agreement, and the indemnification contained in this Section 4, shall survive the acceptance of this Subscription Agreement and the sale of the Partnership Interest.

5. **General**.

(a) All notices or other communications given or made hereunder shall be in writing and shall be delivered electronically, by hand, or mailed, postage prepaid, to the undersigned or to the Managing Partner made or electronically, at the addresses set forth herein.

(b) An electronic signature or any electronic copy of a physical signature to this Agreement, the Partnership Agreement Signature Page, the Investor Questionnaire and the Accredited Investor Verification shall be given legal effect and deemed valid and binding on the person authorizing or transmitting such signature and on any person to whom the signature is attributable, whether or not such signature is encrypted or verified.

(c) This Subscription Agreement shall be governed by and construed in accordance with the laws of the State of Texas and the federal laws of the United States governing the private placement of securities, without reference to the laws of any other jurisdiction.

(d) This Subscription Agreement constitutes the entire agreement among the parties hereto with respect to the subject matter hereof and may be amended only by a writing signed by the party to be bound thereby.

6. Arbitration of Disputes.

(a) Any issue, dispute, claim or controversy (collectively, a Claim) between the undersigned and the Partnership, the Managing Partner, or any officer, director, employee, manager, member, affiliate and legal counsel of any of the aforementioned, arising out of or relating to this Subscription Agreement and the undersigned's participation, shall be resolved as provided in this Section 6. The arbitrators chosen pursuant to Section 6(b), and not any federal, state, or local court or agency, shall have exclusive authority to resolve any dispute relating to the interpretation, applicability, enforceability or formation of this Subscription Agreement including, but not limited to, any claim or dispute relating to the interpretation, applicability, enforceability or formation of this arbitration agreement or whether this arbitration agreement or this Subscription Agreement is void or voidable. A party alleging a Claim shall notify the party against whom the Claim is asserted in writing (the Arbitration Notice) of its intention to have the Claim resolved by confidential and binding arbitration. This Arbitration Notice shall be sent so that it is received by the other party no later than ten (10) business days before the initiation of any arbitration proceeding. Any Claim shall be arbitrated in Dallas, Texas, governed by the laws of the State of Texas and in accordance with the Commercial Rules of Arbitration of the American Arbitration Association in effect at that time.

(b) A total of three arbitrators shall be appointed in accordance with this Section 6(b). Unless otherwise agreed to in writing by all the parties, within ten (10) business days after the initiation of the arbitration, the parties filing a Claim and the parties against whom the Claim is asserted, shall each appoint one arbitrator, and

the two arbitrators so chosen shall select a third arbitrator within thirty (30) calendar days of the expiration of the 10-day period. Unless otherwise agreed to in writing by all the parties, each arbitrator shall have at least ten (10) years of experience in an industry or profession related to the subject matter involved in the Claim, and all arbitration proceedings shall be held, and a transcribed record thereof shall be prepared, in English.

(c) No party involved in the arbitration shall have the right to conduct discovery of the other (except as the arbitrators may so order on the application of another party), but shall furnish to the arbitrators such information as the arbitrators may reasonably request to facilitate the resolution of the Claim. The arbitrators shall announce the award and the reason therefor in writing within one (1) year from the date of the selection of the third arbitrator, or such later date as the parties may agree upon in writing,

(d) All parties to the arbitration shall bear their own expenses of the arbitration, including those relating to the arbitrators, attorney's fees, experts and presentation of proof with respect to the Claim. No decision or arbitration award by the arbitrators shall include an award of attorney's fees to any party.

(e) Any award granted by the arbitrators shall not include factual findings and legal reasoning.

(f) Following the entry of any award granted by the arbitrators, a party may move to confirm the award in any court having jurisdiction thereof. Should the award be confirmed by a court of competent jurisdiction, the right of either party to appeal confirmation of the award shall be governed by the provisions of the Federal Arbitration Act.

(g) Nothing in this Agreement shall limit a party's ability to pursue injunctive relief in a court of competent jurisdiction to the extent legally permissible.

8. INSTRUCTIONS REGARDING DELIVERY OF INFORMATION. I understand that the Partnership intends to provide me with information about my investment and Partnership activities via unencrypted email. At my request, the Partnership will provide me with mailed copies of such information.

☐ I am checking this box only if I want information provided to me by mail rather than email.

[Signature Page Follows]

SUBSCRIPTION AGREEMENT
SIGNATURE PAGE

IN WITNESS WHEREOF, the undersigned hereby signs this Subscription Agreement as of the day and year set forth below. The undersigned confirms that he is subscribing for a Capital Contribution of $_____, for the proportionate Partnership Interest. Each subscription is payable by a minimum Capital Contribution of $25,000, unless waived by the Managing Partner. The purchase price must be paid by wire transfer or other readily available funds, including personal, corporate, or cashier check.

Payment Method: Wire Transfer ☐ Personal, Cashier or Corporate Check ☐ Retirement Plan Transfer ☐

OFFEREE/SUBSCRIBER CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM NUMBER _____

BOX 1 – INDIVIDUAL (PRIMARY OWNER) * (Mailing Address Please)

Subscriber's Name | Street Address | City | State | Zip Code

Social Security Number | Telephone Number | E-mail Address

Signature | Date

BOX 2 - JOINT OWNER or CO-TRUSTEE (Mailing Address Please)**

Co-Subscriber's Name | Street Address | City | State | Zip Code

Social Security Number | Telephone Number | E-mail Address

Signature | Date

BOX 3 - TRUST, CORPORATION, PARTNERSHIP, IRA or OTHER ENTITY (Mailing Address Please)

Name of Entity/Beneficial Owner | Tax ID Number | Date of Formation

Name/Title of Principal or Trustee | Street Address | City | State | Zip Code

Telephone Number | E-mail Address

Signature | Date

For IRAs
Custodian's Name | Tax ID Number | Investor's Account Number

SUBSCRIPTION ACCEPTED:

Northern Lights Royalties III LP
By: ProAK, LLC
Its Managing Partner

By: _____
Shawn Bartholomae, Manager

*** The address you provide above should be the address at which you wish to receive correspondence.**

**** Spouse or Joint Purchase requires the names, signatures and initials of each subscriber as well as both Social Security Numbers.**

PARTNERSHIP AGREEMENT SIGNATURE PAGE

I, the undersigned, by executing this Limited Partnership Agreement, agree to become a Limited Partner in the Partnership on the terms provided, make the applicable representations, warranties, and agreements set forth in this Limited Partnership Agreement, and grant the power of attorney provided in this Limited Partnership Agreement.

BOX 1 - INDIVIDUAL (PRIMARY OWNER)

Subscriber's Name

_____

Signature Date

BOX 2 - JOINT OWNER or CO-TRUSTEE*

Joint Owner's/Co-Trustee's Name

_____

Signature Date

BOX 3 - TRUST, CORPORATION, PARTNERSHIP, IRA or OTHER ENTITY

Name of Entity/Beneficial Owner

_____

Name/Title of Principal or Trustee

_____

Signature Date:

_____

For IRAs:
Custodian's Name

_____

Custodian Address Date

*** Spouse or Joint Purchase requires the names and signatures of each subscriber.**

NORTHERN LIGHTS ROYALTIES III LP
A TEXAS LIMITED PARTNERSHIP

INVESTOR QUESTIONNAIRE

Northern Lights Royalties III LP
C/O ProAK, LLC
660 W. Southlake Blvd. Suite 200
Southlake, Texas 76092

Gentlemen:

I am submitting this Investor Questionnaire (the Questionnaire) in connection with a proposed purchase of a Partnership Interest in Northern Lights Royalties III LP. I understand that this Questionnaire will be reviewed by you to determine whether any purchase of a Partnership Interest by the subscriber, in light of my/our/its qualifications, would qualify for an exemption from registration afforded issuers of securities under the Securities Act of 1933, as amended, as well as other exemptions from the securities registration provisions of applicable securities statutes and regulations of states or other jurisdictions.

I understand that (a) the Partnership Interest will not be registered under the Securities Act of 1933 or any securities registration statutes of states or other jurisdictions, (b) the completion of this Questionnaire does not constitute a binding commitment on your part to accept a Subscription Agreement from me, and (c) I will be required to hold the Partnership Interest for investment purposes only and not with a view to redistribute the Partnership Interest.

I further represent to you (a) the information contained herein is complete and accurate and you may rely upon it, and (b) I will notify you immediately of any change in any of such information occurring prior to the closing of my purchase of a Partnership Interest.

The subscriber is [check one of the following]:

_____ Individual Account _____ Joint Account _____ IRA Account

_____ Corporate/Limited Liability Company/Limited Partnership _____ Trust Account

_____
Individual Responsible For Completing this Document

_____
Title [if representing entity]

COMPLETING THE INVESTOR QUESTIONNAIRE
PLEASE TYPE OR PRINT EXCEPT FOR SIGNATURE

WHY ARE WE ASKING THESE QUESTIONS?

The Partnership Interests are being offered and sold in accordance with certain exemptions from registration of securities afforded issuers of securities under the Securities Act of 1933 and Rule 506(c) of Regulation D. In compliance with this regulation, the Partnership is offering the Partnership Interests only to accredited investors. The information in the Investor Questionnaire helps us verify that all entities and/or individuals considering an investment are accredited investors and have the financial means and experience necessary to evaluate and participate in this investment. Your privacy is very important to us and we do not share this information with anyone except (1) our service providers and (2) as required by judicial or governmental proceedings.

WHO IS AN ACCREDITED INVESTOR?

All subscribers must be an accredited investor. An accredited investor meets one of the following definitions:

A) A bank as defined in section 3(a)(2) of the Securities Act of 1933 or any savings and loan association or other institution as defined in section 3(a)(5)(A) of the Securities Act of 1933 whether acting in its individual or fiduciary capacity; a broker or dealer registered pursuant to section 15 of the Securities Exchange Act of 1934; an insurance company as defined in section 2(13) of the Securities Act of 1933; an investment company registered under the Investment Company Act of 1940 or a business development company as defined in section 2(a)(48) of that Act; a Small Business Investment Company licensed by the U.S. Small Business Administration under section 301(c) or (d) of the Small Business Investment Act of 1958; an employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974, if the investment decision is made by a plan fiduciary, as defined in section 3(21) of such Act, which is either a bank, savings and loan association, insurance company, or registered investment adviser, or if the employee benefit plan has total assets in excess of $5,000,000, or if a self-directed plan, with investment decisions made solely by persons that are accredited investors.

B) A private business development company as defined in section 202(a)(22) of the Investment Advisers Act of 1940.

C) An organization described in Section 501(c)(3) of the Internal Revenue Code, corporation, Massachusetts or similar business trust, or partnership, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of $5,000,000.

D) A manager of ProAK, LLC.

E) A natural person whose individual net worth, or joint net worth with that of his/her spouse, exceeds $1,000,000 (for purposes of calculating your net worth you should exclude as an asset the value of your primary residence and exclude as a liability any debt (i) incurred more than 60 days before the time of your investment, and (ii) secured by your primary residence up to the amount of debt not exceeding the fair market value of your primary residence).

F) A natural person who had an individual income in excess of $200,000 in each of the two most recent years or had joint income with his/her spouse in excess of $300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year.

G) A trust, with total assets in excess of $5,000,000, not formed for the specific purpose of acquiring the securities offered.

H) An entity in which all of the equity owners are accredited investors.

WHICH SECTION DO I FILL OUT?

ENTITY INVESTORS: COMPLETE SECTION A, SECTION B AND SECTION C.

If you are purchasing this interest on **behalf of an entity complete all three sections, A, B and C.** An entity is any corporation, limited liability company, partnership, or trust, typically organized under its own tax identification number.

- If you are making this purchase with a company check, then you are purchasing as an entity.
- Suitability information (Section B) must be provided by each individual responsible for making the decision to purchase this interest on behalf of the entity, and such individual must have signature power for the entity.

INDIVIDUAL INVESTORS: COMPLETE SECTION B AND SECTION C.

SECTION A – INFORMATION FOR ENTITIES

Entity Information *Account correspondence and distribution checks will be sent to the address you provide on the Subscription Agreement Signature Page under the name of the entity.			
Name of Entity:			
Organization			
Type of Entity:	☐ Corporation ☐ Limited Liability Company ☐ Partnership ☐ Trust		
	Date & Place of Formation:		
	Taxpayer Identification Number:		
	Net Worth of Entity:	$	
Beneficial Ownership			
	Number of Equity Owners:		
	All of the equity owners are accredited investors:	True	False
	This entity was not established solely to invest in this offering:	True	False
Representation *****the person signing the Subscription Agreement for the entity			
Representative's full name:			
Representative's title:			
Supporting Documents			
☐ **CORPORATION**	Please attach copies of resolutions or consents authorizing the purchase of this investment.	Attached	Not Attached
**Suitability Required*	Each agent responsible for making the decision to purchase the Partnership Interest must provide individual suitability information (Section B).	Provided	Not Provided
☐ **LIMITED LIABILITY COMPANY (LLC)**	Please attach copies of limited liability company agreement, and resolutions or consents (if any) authorizing the purchase of this type of investment.	Attached	Not Attached
**Suitability Required*	Each manager or member responsible for making the decision to purchase this interest must provide individual suitability information (Section B).	Provided	Not Provided
☐ **PARTNERSHIP**	Please attach a copy of the applicable partnership agreement.	Attached	Not Attached
**Suitability Required*	Each partner responsible for making the decision to purchase this interest must provide individual suitability information (Section B).	Provided	Not Provided
☐ **TRUST**	Please attach a copy of the applicable trust instrument or letters testamentary. The title and signature pages must be included.	Attached	Not Attached
**Suitability Required*	Each trustee responsible for making the decision to purchase this interest must provide individual suitability information (Section B).	Provided	Not Provided

SECTION B –INFORMATION FOR INDIVIDUALS

Suitability information must be provided by each individual responsible for making the decision to purchase this investment, whether purchasing individually or jointly with a spouse or another person, in a revocable trust or in an individual retirement account, or as the representative of an entity such as a corporation, partnership or limited liability company.

Biographical Information	
Full Legal Name:	Date of Birth:
Social Security Number:	Married? __ Yes __ No
Residential Address (No PO Boxes) **Is residential same as mailing?** __ Yes __ No	
Street Address:	Res. City:
State/Province:	Postal Code:
Country:	Citizenship? __ USA __ Other
In which state or province do you:	Pay Taxes? _____ Register to Vote? _____ Hold a driving license? _____
Mailing Address: correspondence and distribution checks will be sent to the address you provide on the Subscription Agreement Signature Page under your signature.	
Telephone Home Phone:	Cell Phone:
Employment	Occupation:
Employer:	Bus Phone:
Business Street:	Bus City:
State/Province	Postal Code:
*Employed since:	
**Employment History* (5 –Year history. Complete only if current employment is less than 5 years)	
Employer Dates Title	
Education Please indicate last level completed: ☐ Secondary School ☐ Trade School or Associates Degree ☐ Bachelors Degree ☐ Advanced Degree	

SECTION C – SUITABILITY AND ACCREDITED INVESTOR STATUS

Method of Accreditation			
Please indicate whether you fall within any one of the following categories of an accredited investor:			
a	A bank as defined in section 3(a)(2) of the Securities Act of 1933 or any savings and loan association or other institution as defined in section 3(a)(5)(A) of the Securities Act of 1933 whether acting in its individual or fiduciary capacity; a broker or dealer registered pursuant to section 15 of the Securities Exchange Act of 1934; an insurance company as defined in section 2(13) of the Securities Act of 1933; an investment company registered under the Investment Company Act of 1940 or a business development company as defined in section 2(a)(48) of that Act; a Small Business Investment Company licensed by the U.S. Small Business Administration; an employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974, if the investment decision is made by a plan fiduciary, as defined in section 3(21) of such Act, which is either a bank, savings and loan association, insurance company, or registered investment adviser, or if the employee benefit plan has total assets in excess of $5,000,000, or if a self directed plan, with investment decisions made solely by persons that are accredited investors.	☐ Yes	☐ No
b	A private business development company as defined in section 202(a) (22) of the Investment Advisers Act of 1940.	☐ Yes	☐ No
c	An organization described in Section 501(c)(3) of the Internal Revenue Code, corporation, Massachusetts or similar business trust, or partnership, not formed for the specific purpose of acquiring the Partnership Interest offered, with total assets in excess of $5,000,000.	☐ Yes	☐ No
d	A manager or executive officer of ProAK, LLC.	☐ Yes	☐ No
e	A natural person whose individual net worth, or joint net worth with that of my spouse, exceeds $1,000,000 (for purposes of calculating your net worth you should exclude as an asset the value of your primary residence and exclude as a liability any debt (i) incurred more than 60 days before the time of your investment, and (ii) secured by your primary residence up to the amount of debt not exceeding the fair market value of your primary residence). All liabilities necessary to make a verification of net worth have been disclosed to the person completing the Accredited Investor Verification for me. PLEASE INITIAL:	☐ Yes	☐ No
f	A natural person who had an individual income in excess of $200,000 in each of the two most recent years or had joint income with my spouse in excess of $300,000 in each of those years and I have a reasonable expectation of reaching the same income level in the current year. PLEASE INITIAL:	☐ Yes	☐ No
g	A trust, with total assets in excess of $5,000,000, not formed for the specific purpose of acquiring the Partnership Interest offered.	☐ Yes	☐ No
h	An entity in which all of the equity owners are accredited investors.	☐ Yes	☐ No
i	A revocable trust and each grantor is accredited under "e" or "f" above.	☐ Yes	☐ No
j	An individual retirement account (including traditional retirement accounts or Roth IRAs or Simple IRAs or SEP-IRAs) and the owner is accredited under "e" or "f" above.	☐ Yes	☐ No
Investment Experience			
Do you use professional tax counseling with respect to the investments you make?		__ Yes	__ No
Do you intend to use the services of a purchaser representative to evaluate the merits and risks of an investment?		__ Yes	__ No
Are you aware that a purchase of a Partnership Interest is speculative in nature, and that it is not readily marketable thereby requiring your investments to be held for an indefinite period of time?		__ Yes	__ No
Have you purchased speculative securities in the past as part of your investment strategy and implementation of your investment goals and objectives?		__ Yes	__ No
If Yes, please describe the kinds of speculative investments that you have made.			

SECTION C – SUITABILITY AND ACCREDITED INVESTOR STATUS, continued

Do you have investment accounts (brokerage, IRA or 401K) where publicly-traded (stocks, bonds, etc.) securities or private placements are held?	__ Yes __ No
If Yes, indicate how often you trade in these accounts. ☐ Never ☐ ≤ 10 times per year ☐ 10 - 30 times a year ☐ ≥ 30 times a year	
Over the past five years have you invested in oil and gas related programs?	__ Yes __ No
If yes please list the name of the companies and approximate amounts of investment.	
Company Name	Amount
A	
B	
C	
Please indicate any additional information reflecting investments you have made which would tend to establish your knowledge and experience in financial, securities and business matters.	

I further represent to you that (a) the information contained herein is complete and accurate and may be relied upon by you, and (b) I will notify you immediately of any material change in any of such information occurring prior to any acceptance of my Subscription Agreement.

SIGNED on this _____ day of _____, 20__.

_____
Signature

_____
Print Name

_____
Print Title if applicable

WE MUST VERIFY THAT THE ACTUAL INVESTOR IS AN "ACCREDITED INVESTOR"

IF YOU ARE MAKING THE INVESTMENT INDIVIDUALLY OR WITH YOUR SPOUSE OR THROUGH YOUR IRA OR YOUR REVOCABLE TRUST, YOU MUST BE VERIFIED INDIVIDUALLY. A REVOCABLE TRUST IS ONE THAT MAY BE AMENDED OR REVOKED AT ANY TIME BY YOU, AND IS TREATED AS AN ACCREDITED INVESTOR IF YOU ARE ACCREDITED. IF YOU ARE INVESTING THROUGH A PENSION PLAN OR NON-REVOCABLE TRUST OR PARTNERSHIP OR CORPORATION OR LIMITED LIABILITY COMPANY OR ANY OTHER TYPE OF ENTITY, THE VERIFICATION MUST BE FOR THAT ENTITY, NOT YOU INDIVIDUALLY.

Alternative 1, if you are investing as an individual or with your spouse or through your IRA or revocable trust: Provide a third party verification from one of the persons listed below, in the following form:

> ***The undersigned has taken reasonable steps within the past three months to verify that _____ is an accredited investor on the basis of income or net worth or both, and has determined that such person (alone or with their spouse) is an accredited investor. This letter is only for the offering by Northern Lights Royalties III LP, and we have no obligation to update it.***

The verification can be accepted only if it is completed and signed by one of the following types of third parties. The verifier cannot be the investor.

- your certified public accountant, who must provide their certificate number and state where registered.
- your attorney, who must provide their license number and state where licensed.
- your investment adviser IF they are registered with the SEC, and provide their CRD number.
- your registered securities broker/dealer, who must provide their CRD number.

Alternative 2, if you are investing as an individual or with your spouse or through your IRA or revocable trust: Provide copies of any Internal Revenue Service form that reports your income for the two most recent years (including, but not limited to, Form W-2, Form 1099, Schedule K-1 to Form 1065, or the first page of Form 1040, with social security numbers redacted), and sign this certification:

> ***I am relying on my income (alone or with my spouse) to show that I am an accredited investor. I have a reasonable expectation of reaching individual income in excess of $200,000 or joint income with my spouse in excess of $300,000 in each of 2016 (if my tax return for 2016 has not yet been filed) and 2017.***

INDIVIDUAL (PRIMARY OWNER)

_____

Print Subscriber's Name

_____

Signature Date

JOINT OWNER/ SPOUSE

_____

Print Joint Owner's/Spouse's Name

_____

Signature Date

Alternative 3, if you are investing as an individual, or with your spouse, or through your IRA or revocable trust: Provide account statements or other documents showing that you, or you and your spouse, have a net worth in excess of $1 million excluding the net equity in your home, agree that we may obtain a consumer credit report from at least one of the nationwide consumer reporting agencies showing your liabilities, and sign this certification:

> ***I am relying on my net worth, alone or with my spouse, to show that I am an accredited investor. I certify that I have no liabilities other than those reflected on my consumer credit report or otherwise disclosed to the partnership. I am providing a consumer credit report on me prepared within the past three months or agree that the partnership may obtain a consumer credit report on me.***

INDIVIDUAL (PRIMARY OWNER)

_____

Print Subscriber's Name

_____

Signature Date

JOINT OWNER/ SPOUSE

_____

Print Joint Owner's/Spouse's Name

_____

Signature Date

Alternative 4, for any type of investor that is an entity: Provide a financial statement that has been audited or compiled by a certified public accountant, contains an unqualified opinion or compilation report, and is dated within the past three months.

Upload Form here

NORTHERN LIGHTS ROYALTIES III LP
c/o ProAK, LLC
660 W. Southlake Blvd. Suite 200
Southlake, Texas 76092

_____
Insert name and address of verifier

_____

_____

_____

Re: [insert name of prospective investor – actual investor. If IRA or revocable trust, also insert name of grantor of trust or owner of IRA]

Gentlemen/Mesdames:

The investor identified above has asked us to request a verification from you that the investor is an "accredited investor". This verification should be provided by an attorney, a certified public accountant, an investment advisor registered with the SEC, or a registered broker/dealer. If you are one of these and willing to provide this verification, please check where indicated below, sign, and return this to us by mail or pdf.

The investor has represented that they are one of the following:

A) A natural person whose individual net worth, or joint net worth with that of his/her spouse, exceeds $1,000,000 (for purposes of calculating net worth exclude as an asset the value of their primary residence and exclude as a liability any debt (i) incurred more than 60 days before the time of this letter, and (ii) secured by their primary residence up to the amount of debt not exceeding the fair market value of their primary residence).

B) A natural person who had an individual income in excess of $200,000 in each of the two most recent years or had joint income with his/her spouse in excess of $300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year.

C) A revocable trust, if the grantor is an accredited investor.

D) An IRA owned by an accredited investor.

E) An entity in which all of the equity owners are accredited investors.

Please check yes or no to the following verification:

The undersigned has taken reasonable steps within the past three months to verify that the investor identified above is an accredited investor, and has determined that such person (alone or with their spouse) or entity is an accredited investor.

---------- YES **_____ NO**

Please let us know whether you are one of the following (*please check the appropriate blank*):

_____ a registered broker-dealer, as defined in the Securities Exchange Act of 1934;

_____ an investment adviser registered with the Securities and Exchange Commission;

_____ a licensed attorney in good standing under the laws of the jurisdictions in which I am admitted to practice law; or

_____ a certified public accountant in good standing under the laws of the place of my residence or principal office.

This letter will be used only to verify accredited investor status for an offering by Northern Lights Royalties III LP and not for any other purpose. You do not have any obligation to update this letter, and do not assume any obligation or liability to us under this letter.

We appreciate your consideration.

Northern Lights Royalties III LP
By: ProAK, LLC
Its Managing Partner

By: _____
Shawn Bartholomae, Manager

Verification provided by:

Name: _____

Signature: _____

By: _____ (*if applicable*)

Title: _____ (*if applicable*)

Dated: _____

State Bar Number and Issuing State: _____

Or CPA Certificate Number and Issuing State: _____

Or CRD Number or SEC Registration Number: _____

IF YOU ARE FUNDING YOUR INVESTMENT VIA CHECK:

Make check payable to: "NORTHERN LIGHTS ROYALTIES III, LP"
Please send all completed documents with investment funding check via mail or Fed Ex
(Account # 5106-5010-7)

Northern Lights Royalties III LP
c/o ProAK, LLC
660 W. Southlake Blvd. Suite 200
Southlake, Texas 76092

IF YOU ARE FUNDING YOUR INVESTMENT VIA WIRE OR ACH:

Please send a wire or ACH for the entire investment amount to

ABA #: **026009593**
Account #: _____
Account Name: **Northern lights Royalties III, LP**
Bank Name: **Bank of America**

Please enter your full name in the wire detail section when sending a wire.
Any unidentified wires will be returned to the originating bank.