

**FORM 62-103F1**

**EARLY WARNING REPORT**

**Item 1 – Security and Reporting Issuer**

1.1 This report relates to the common shares (the “Shares”) of NanoSphere Health Sciences Inc. (the “Issuer”). The Issuer’s head office is located at #600 – 8400 E. Crescent Parkway, Greenwood Village, Colorado, USA 80111.

1.2 The transaction (the “Transaction”) that triggered the requirement to file this report did not take place over any market, but was an issuance of securities from the Issuer’s treasury.

**Item 2 – Identity of the Acquiror**

2.1 The name and address of the acquiror (the “Acquiror”) is as follows:

Robert Sutton (as managing member of Preferred Holdings, LLC)  
3101 East Orchard Road, Greenwood Village, Colorado 80121

2.2 The Transaction occurred on November 17, 2017, and consisted of the Issuer’s business combination (the “Combination”) with NanoSphere Health Sciences, LLC, pursuant to which Preferred Holdings, LLC acquired Shares as part of the resulting share exchange.

2.3 The following persons are joint actors (the “Joint Actors”) of the Acquiror:

n/a

**Item 3 – Interest in Securities of the Reporting Issuer**

3.1 The Acquiror acquired control without ownership over 31,353,760 Shares which were acquired by Preferred Holdings, LLC pursuant to the Combination’s share exchange. The Acquiror’s holding (control or ownership) of issued Shares increased from nil% to 32.6% of the issued Shares (calculated after the pending conversion of 11,811,379 subscription receipts (the “Subscription Receipts”) issued pursuant to the Combination’s concurrent financing, each of which converts for no additional consideration into a share and 0.5 warrant upon the Issuer’s listing on the CSE).

3.2 The Acquiror acquired control but no ownership of the securities identified in Item 3.1.

3.3 The Transaction identified in Item 3.1 did not involve a securities lending arrangement.

3.4 Immediately before the Transaction, the Acquiror held nil Shares or nil% of the issued Shares. Immediately after the Transaction, the Acquiror held 31,353,760 Shares, or 32.6% of the issued Shares (calculated after the pending conversion of the Subscription Receipts).

3.5 Immediately before the Transaction:

(a) The Acquiror and any Joint Actors had ownership and control over nil Shares or nil% of the issued Shares.

(b) The Acquiror and any Joint Actors had ownership, but control is held by persons or companies other than the Acquiror and the Joint Actors, over nil Shares or nil% of the issued Shares.

(c) The Acquiror and any Joint Actors had exclusive or shared control, but no ownership, over nil Shares or nil% of the issued Shares.

Immediately after the Transaction:

(a) The Acquiror and any Joint Actors had ownership and control over nil Shares or nil% of the then-issued Shares.

(b) The Acquiror and any Joint Actors had ownership, but control is held by persons or companies other than the Acquiror and any Joint Actors, over nil Shares or nil% of the then-issued Shares.

(c) The Acquiror and any Joint Actors had exclusive or shared control, but no ownership, over 31,353,760 Shares or 32.6% of the then-issued Shares (calculated after the pending conversion of the Subscription Receipts).

3.6 After the Transaction, the Acquiror did not hold or have any interest in, or any right or obligation associated with, a related financial instrument involving Shares.

3.7 The Acquiror and any Joint Actors are not party to any securities lending arrangement involving the Shares.

3.8 Except as disclosed elsewhere herein, the Acquiror and any Joint Actors are not party to an agreement, arrangement or understanding that has the effect of altering, directly or indirectly, the Acquiror's economic exposure to the Shares.

#### **Item 4 – Consideration Paid**

4.1 In reference to Item 3.1, Preferred Holdings, LLC paid a deemed value of \$15,676,880 or \$0.50 per Share.

4.2 In reference to Item 3.1, Preferred Holdings, LLC provided consideration in the form of 1,210,517 Class A membership units of NanoSphere Health Sciences, LLC having a deemed value of \$15,676,880, which were tendered to the Combination's share exchange.

4.3 In reference to Item 3.1, the securities were acquired pursuant to the Combination's share exchange for the outstanding securities of NanoSphere Health Sciences, LLC.

#### **Item 5 – Purpose of the Transaction**

In reference to Item 3.1, Preferred Holdings, LLC acquired the securities for investment purposes. In the future, the Acquiror and Preferred Holdings, LLC may acquire additional securities of the Issuer or dispose

of such securities through the market or otherwise subject to a number of factors, including but not limited to general market and economic conditions, alternative investment and business opportunities, portfolio and liquidity considerations, and other circumstances.

**Item 6 – Agreements, Arrangements, Commitments or Understandings with respect to Securities of the Reporting Issuer**

There are no agreements, arrangements, commitments or understandings between the Acquiror and a Joint Actor and among those persons and any person with respect to the Shares, including but not limited to the transfer or the voting of any of the securities, finder’s fees, joint ventures, loan or option arrangements, guarantees of profits, division of profits or loss, or the giving or withholding of proxies.

**Item 7 – Change of Material Fact**

Not Applicable.

**Item 8 – Exemption**

In reference to Item 3.1, the Acquiror and any Joint Actors are not relying on an exemption from requirements in securities legislation applicable to formal bids for the Transaction.

**Item 9 – Certification**

I, as the Acquiror, certify that the statements made in this report are true and complete in every respect.

Date: December 4, 2017

*“Robert Sutton”*

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Robert Sutton