

CHP III, L.P.
QUARTERLY REPORT
3rd QUARTER, 2008

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If you have any questions regarding treatment of any confidential information received in connection with your investment in the Funds, please contact John J. Park at (609) 924-6452 or by email at johnpark@cardinalpartners.com.

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3rd QUARTER, 2008
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TO: The Limited Partners of CHP III, L.P.

FROM: John K. Clarke

DATE: November 10, 2008

SUBJECT: Activity for the Quarter Ended September 30, 2008

There was no new investment activity in the CHP III portfolio this quarter, with one follow-on investment in FluidNet. Activity at the portfolio companies was marked by continued product development, marked by solid pre-clinical and clinical progress. The following are short summaries of activity for the quarter in each of our portfolio companies.

Acorn Cardiovascular - Enrollment for the Mitral valve replacement open surgical (“MVR”) confirmatory clinical trial continues to lag expectations and remains priority. The trial format requires enrollment of 50 patients, originally forecast to be completed by February 2009. Through the end of this quarter, the company has achieved only 20% of that total and now expects to complete enrollment by mid-2009. A program to improve enrollment including internet marketing and expanded clinical sites has been initiated. Due to the lag in enrollment for the MVR study, the company’s cash burn is \$1 million lower than expected for 2008.

BioConnect Systems – The big news for BioConnect this quarter was the successful completion of initial human clinical tests in September. The company implanted its Optiflow™ AV vascular access device in four patients with excellent patency and impressive post-operative flow. Additional human tests with a smaller device are planned for November. Chronic animal testing to validate implant performance was also completed during the quarter, in anticipation of preparing an initial FDA submission in early 2009. Burn rate at Bioconnect remains below forecast and the company has sufficient capital to operate well into 2010.

FluidNet Corporation – From an engineering and product development standpoint, the third quarter was one of the most productive since our initial investment in May 2007. In order to meet the goal of FDA submission in Q1 2009, the company needs to finalize all product engineering details by year-end 2008. So far these goals seem achievable. The company has successfully completed its software development, and has production tooling completed for several key sub-assemblies. During the quarter, the company completed a \$3 million add-on to the May 2007 Series A financing, sufficient to get the product through regulatory approval.

Inspired Technologies (formerly COPD Partners) – The expected acceleration in product sales for Inspired during Q3 2008 was not realized. The company was well behind its sales forecast for the period, producing an inventory build-up and resulting in a \$1 million cash shortfall at the end of the current quarter. The Board has instructed management to refocus its business model on their portable units, emphasizing their proprietary SmartDose™ technology, which has been established as a market differentiator. At the same time, management is enacting cutbacks expected to reduce monthly burn by 50% next quarter. In October, Lisa Skeete Tatum and Chuck Hadley will be attending MedTrade, the premiere industry trade show, to further evaluate prospects for the company.

Included in this report are the financial statements for the period, a quarterly summary of activity at each of the portfolio company's and a summary deal flow report.

Investment Activity:

There were no new portfolio company investments made during the quarter. In August, CHP III invested \$1,771,576 in the \$3 million add-on to the FluidNet Series A financing.

Deal Flow:

During the third quarter of 2008, Cardinal has reviewed a total of 57 business plans. Current "A" deals include: Aquea Scientific, Awarepoint Corporation, LifeBlood Medical, NDI Medical, Salutaris Medical Device and Thermopeutix.

An alphabetical list of all deals received this quarter, with a brief business description, deal source and current status is included as an appendix to this report.

Financial Results:

There was no capital called during the quarter. The cash balance at the end of the period was \$6,329,820. The balance remains high due to the initial capital called in Q1 2008 from new investors closed in December 2007 and January 2008.

The net loss for the period ended September 30, 2008, was \$1.08 million representing \$1.1 million in operating expenses for the period, including \$1,091,792 in management fee, offset by \$23K in idle funds income. To-date there have been no realized or unrealized gains or losses related to portfolio investments.

Looking forward:

Our Limited Partner Annual Meeting will be held on Thursday, November 20, 2008 at the Mandarin Oriental in New York City. We look forward to seeing many of you there. If you have any comments regarding the meeting or its content, please contact John Park at (609) 924-6452 or by email at johnpark@cardinalpartners.com.

We welcome any comments or suggestions you may have about this report format or any additional information you would like to have included. Brandon, Lisa, Chuck, John and I appreciate your continued support and value your input.

Cardinal Partners will be relocating its headquarters office on December 1, 2008

The new address is:

230 Nassau Street, Princeton, NJ 08542.

Telephone and facsimile numbers remain the same.

CHP III, L.P.
Income Statement
For the Period Ended September 30, 2008

	3 Months Ended 9/30/2008	9 Months Ended 9/30/2008
Revenue:		
Non Portfolio Income	\$23,106	\$99,649
Interest-Equivalent Amounts	0	175,617
Expenses:		
Management Fee	1,091,792	3,225,424
Professional Fees	17,339	57,869
Annual Meeting & NVCA Dues	0	6,542
Amortization of Organization Costs	0	0
Miscellaneous Expenses	452	2,634
Total Expenses	1,109,583	3,292,469
Net Operating Expense	(1,086,477)	(3,017,203)
Investment Income	3,101	9,137
Net Income Before Gains (Losses)	(1,083,376)	(3,008,066)
Realized Gains (Losses)	0	0
Unrealized Gains (Losses)	0	0
Net Income (Loss)	(\$1,083,376)	(\$3,008,066)

CHP III, L.P.
Balance Sheet
As of September 30, 2008

ASSETS:	Period Ended 9/30/2008	Period Ended 6/30/2008
Cash and Short-Term Investments	\$6,329,820	\$8,923,604
Contributions Receivable	0	270,593
Accrued Interest	13,095	9,994
Venture Capital Investments	18,231,576	16,460,000
Organization Costs (Net of Accum. Amortization)	0	0
Other Assets	154,235	154,235
	<u>\$24,728,726</u>	<u>\$25,818,426</u>
 LIABILITIES & CAPITAL:		
Accrued Expenses and Payables	\$27,168	\$33,492
Partners' Capital	24,701,558	25,784,934
Total Liabilities and Capital	<u>\$24,728,726</u>	<u>\$25,818,426</u>

CHP III, L.P.
Footnotes
As of September 30, 2008

Note 1 - CHP III, L.P. was formed as a Delaware Limited Partnership on November 20, 2006 and as such is not subject to income taxes at the partnership level.

Note 2 - Accrued Interest Receivable:	9/30/2008	6/30/2008
Interest Accrued on GP Promissory Notes	\$13,095	\$9,994
Interest Equivalent Amount Receivable	0	0
Total	<u>\$13,095</u>	<u>\$9,994</u>

Note 3 - Net Organization Costs:	9/30/2008	6/30/2008
Organization & Fundraising Costs	\$241,848	\$241,848
Accumulated Amortization	(241,848)	(241,848)
Total	<u>\$0</u>	<u>\$0</u>

Note 4 - Other Assets:	9/30/2008	6/30/2008
GP Promissory Note Principal	\$153,785	\$153,785
Miscellaneous Other Assets	450	450
Total	<u>\$154,235</u>	<u>\$154,235</u>

Note 5 - Accrued Expenses:	9/30/2008	6/30/2008
Accounting & Audit	\$26,000	\$17,500
Annual Meeting & NVCA Expenses	0	6,542
Legal Fees and Expenses	716	2,596
Management Fees	0	6,413
Miscellaneous Expenses	452	441
Total	<u>\$27,168</u>	<u>\$33,492</u>

CHP III, L.P.
Statement of Cash Flows
For the Period Ended September 30, 2008

	3 Months Ended 09/30/08	9 Months Ended 09/30/08
Cash flows from operating activities		
Net Income Before Gains (Losses)	(\$1,083,376)	(\$3,008,066)
Adjustments to reconcile net income before gains (losses) to net cash used in operating activities:		
Accrued Interest Receivable	(3,101)	206,311
Accrued Organization Costs (Net of Payments)	-	-
Other Assets	270,593	6,188,795
Accrued Expenses & Payables	(6,324)	(163,809)
Net Cash used in Operating Activities	(822,208)	3,223,231
Cash flows from investing activities		
Purchases of venture capital investments	(1,771,576)	(1,771,576)
Sales of venture capital investments	-	-
Net cash provided by investing activities	(1,771,576)	(1,771,576)
Cash flows from financing activities		
Cash contributions by partners	-	3,878,497
Cash distribution to partners	-	-
Net cash used in financing activities	-	3,878,497
Net Change in Cash and Short Term Investments	(2,593,784)	5,330,152
Cash and Short Term Investments, Beginning	8,923,604	999,668
Cash and Short Term Investments, Ending	<u>\$6,329,820</u>	<u>\$6,329,820</u>

CHP III, L.P.
Schedule of Venture Capital Investments
As of September 30, 2008

Company	Debt	Equity	Total Cost	Fair Value	Unrealized Gain (Loss)
Acorn Cardiovascular, Inc.	\$0	\$5,000,000	\$5,000,000	\$5,000,000	\$0
BioConnect Systems, Inc.	0	4,000,000	4,000,000	4,000,000	0
FluidNet Corporation	0	5,631,576	5,631,576	5,631,576	0
Inspired Technologies (formerly COPD)	0	3,600,000	3,600,000	3,600,000	0
Totals	\$0	\$18,231,576	\$18,231,576	\$18,231,576	\$0

CHP III, L.P.
Statement of Partners' Contributions Accounts
As of September 30, 2008

	Partners' Total Subscription	Contributions Account 6/30/2008	Period Contributions in Cash	Period Contributions by Note	Contributions Account 9/30/2008	Partners' Outstanding Subscription
<u>Limited Partners:</u>						
State Teachers Retirement System of Ohio	\$30,000,000	\$5,357,737	\$0	\$0	\$5,357,737	\$24,642,263
Health Evolution Partners	20,000,000	3,571,825	0	0	3,571,825	16,428,175
LA City Employees Retirement System	15,000,000	2,678,870	0	0	2,678,870	12,321,130
Indiana State Teachers Retirement Fund	15,000,000	2,678,869	0	0	2,678,869	12,321,131
COPTL L.P. (Royal Mail)	10,000,000	1,785,911	0	0	1,785,911	8,214,089
Robert Wood Johnson Foundation	10,000,000	1,785,911	0	0	1,785,911	8,214,089
SVB Strategic Investors Fund III, L.P.	10,000,000	1,785,911	0	0	1,785,911	8,214,089
Fairview Capstone Partners, L.P.	10,000,000	1,785,912	0	0	1,785,912	8,214,088
Trustees of Princeton University	9,425,000	1,683,223	0	0	1,683,223	7,741,777
The Robertson Foundation	575,000	102,689	0	0	102,689	472,311
Venture Investment Associates VI, LP	7,500,000	1,339,435	0	0	1,339,435	6,160,565
Northwestern University	7,000,000	1,250,140	0	0	1,250,140	5,749,860
Hamilton Lane-Carpenters Fund II	5,000,000	892,957	0	0	892,957	4,107,043
Int. Union of Operating Engineers	5,000,000	892,957	0	0	892,957	4,107,043
WSI Investments, Inc.	5,000,000	892,957	0	0	892,957	4,107,043
Howard University (Endowment Fund)	2,500,000	446,478	0	0	446,478	2,053,522
Howard University Retirement Trust	2,500,000	446,478	0	0	446,478	2,053,522
Alexandria Equities, LLC	2,500,000	446,478	0	0	446,478	2,053,522
5332657 Manitoba Ltd. (Winnipeg Civic)	2,400,000	428,619	0	0	428,619	1,971,381
5332665 Manitoba Ltd. (Winnipeg Police)	600,000	107,155	0	0	107,155	492,845
United Gulf Investments, Ltd.	2,000,000	357,182	0	0	357,182	1,642,818
	<u>\$172,000,000</u>	<u>\$30,717,694</u>	<u>\$0</u>	<u>\$0</u>	<u>\$30,717,694</u>	<u>\$141,282,306</u>
<u>General Partner:</u>						
CHP III Management LLC	<u>1,737,374</u>	<u>310,280</u>	<u>1,353</u>	<u>(1,353)</u>	<u>310,280</u>	<u>1,427,094</u>
Total Partnership	<u><u>\$173,737,374</u></u>	<u><u>\$31,027,974</u></u>	<u><u>\$1,353</u></u>	<u><u>(\$1,353)</u></u>	<u><u>\$31,027,974</u></u>	<u><u>\$142,709,400</u></u>

CHP III, L.P.
Statement of Partners' Distributive Share of Net Assets
For the Period Ended September 30, 2008

	Private Securities	Public Securities	Cash	Net Organization Costs	Other Assets	Total Assets	Accrued Expenses & Other Liabilities	Net Assets 9/30/2008
<u>Limited Partners:</u>								
State Teachers Retirement System of Ohio	\$3,148,126	\$0	\$1,092,997	\$0	\$28,893	\$4,270,016	(\$4,690)	\$4,265,326
Health Evolution Partners LLC	2,098,751	0	728,665	0	19,263	2,846,679	(3,127)	2,843,552
LA City Employees Retirement System	1,574,064	0	546,499	0	14,447	2,135,010	(2,345)	2,132,665
Indiana State Teachers Retirement Fund	1,574,064	0	546,499	0	14,446	2,135,009	(2,345)	2,132,664
COPTL L.P. (Royal Mail)	1,049,374	0	364,332	0	9,632	1,423,338	(1,564)	1,421,774
Robert Wood Johnson Foundation	1,049,374	0	364,332	0	9,632	1,423,338	(1,564)	1,421,774
SVB Strategic Investors Fund III, L.P.	1,049,374	0	364,332	0	9,632	1,423,338	(1,564)	1,421,774
Fairview Capstone Partners, L.P.	1,049,375	0	364,332	0	9,632	1,423,339	(1,564)	1,421,775
Trustees of Princeton University	989,037	0	343,384	0	9,077	1,341,498	(1,474)	1,340,024
The Robertson Foundation	60,338	0	20,949	0	554	81,841	(90)	81,751
Venture Investment Associates VI, LP	787,033	0	273,250	0	7,223	1,067,506	(1,173)	1,066,333
Northwestern University	734,564	0	255,034	0	6,742	996,340	(1,095)	995,245
Hamilton Lane-Carpenters Fund II	524,689	0	182,167	0	4,815	711,671	(782)	710,889
Int. Union of Operating Engineers	524,689	0	182,167	0	4,815	711,671	(782)	710,889
WSI Investments, Inc.	524,689	0	182,167	0	4,815	711,671	(782)	710,889
Howard University (Endowment Fund)	262,344	0	91,083	0	2,408	355,835	(391)	355,444
Howard University Retirement Trust	262,344	0	91,083	0	2,408	355,835	(391)	355,444
Alexandria Equities, LLC	262,344	0	91,083	0	2,408	355,835	(391)	355,444
5332657 Manitoba Ltd. (Winnipeg Civic)	251,850	0	87,440	0	2,311	341,601	(375)	341,226
5332665 Manitoba Ltd. (Winnipeg Police)	62,963	0	21,860	0	578	85,401	(94)	85,307
United Gulf Investments, Ltd.	209,875	0	72,867	0	1,926	284,668	(313)	284,355
	\$18,049,261	\$0	\$6,266,522	\$0	\$165,657	\$24,481,440	(\$26,896)	\$24,454,544
<u>General Partner:</u>								
CHP III Management LLC	182,315	0	63,298	0	1,673	247,286	(272)	247,014
Total Partnership	\$18,231,576	\$0	\$6,329,820	\$0	\$167,330	\$24,728,726	(\$27,168)	\$24,701,558

CHP III, L.P.
Statement of Partners' Capital Accounts
For the Three Months Ended September 30, 2008

	Partners' Capital 6/30/2008	Net Capital Contributions	Non-Portfolio Income	Net Investment Income (Loss)	Realized Gains (Losses)	Total Income	Unrealized Gains (Losses)	Distributions	Partners' Capital 9/30/2008
<u>Limited Partners:</u>									
State Teachers Retirement System of Ohio	\$4,452,398	\$0	\$3,990	(\$191,062)	\$0	(\$187,072)	\$0	\$0	\$4,265,326
Health Evolution Partners LLC	2,968,265	0	2,661	(127,374)	0	(124,713)	0	0	2,843,552
LA City Employees Retirement System	2,226,201	0	1,995	(95,531)	0	(93,536)	0	0	2,132,665
Indiana State Teachers Retirement Fund	2,226,200	0	1,995	(95,531)	0	(93,536)	0	0	2,132,664
COPTL L.P. (Royal Mail)	1,484,131	0	1,330	(63,687)	0	(62,357)	0	0	1,421,774
Robert Wood Johnson Foundation	1,484,131	0	1,330	(63,687)	0	(62,357)	0	0	1,421,774
SVB Strategic Investors Fund III, L.P.	1,484,131	0	1,330	(63,687)	0	(62,357)	0	0	1,421,774
Fairview Capstone Partners, L.P.	1,484,132	0	1,330	(63,687)	0	(62,357)	0	0	1,421,775
Trustees of Princeton University	1,398,796	0	1,253	(60,025)	0	(58,772)	0	0	1,340,024
The Robertson Foundation	85,336	0	77	(3,662)	0	(3,585)	0	0	81,751
Venture Investment Associates VI, LP	1,113,101	0	997	(47,765)	0	(46,768)	0	0	1,066,333
Northwestern University	1,038,894	0	931	(44,580)	0	(43,649)	0	0	995,245
Hamilton Lane-Carpenters Fund II	742,067	0	665	(31,843)	0	(31,178)	0	0	710,889
Int. Union of Operating Engineers	742,067	0	665	(31,843)	0	(31,178)	0	0	710,889
WSI Investments, Inc.	742,067	0	665	(31,843)	0	(31,178)	0	0	710,889
Howard University (Endowment Fund)	371,034	0	332	(15,922)	0	(15,590)	0	0	355,444
Howard University Retirement Trust	371,034	0	332	(15,922)	0	(15,590)	0	0	355,444
Alexandria Equities, LLC	371,034	0	332	(15,922)	0	(15,590)	0	0	355,444
5332657 Manitoba Ltd. (Winnipeg Civic)	356,192	0	319	(15,285)	0	(14,966)	0	0	341,226
5332665 Manitoba Ltd. (Winnipeg Police)	89,048	0	80	(3,821)	0	(3,741)	0	0	85,307
United Gulf Investments, Ltd.	296,826	0	266	(12,737)	0	(12,471)	0	0	284,355
	\$25,527,085	\$0	\$22,875	(\$1,095,416)	\$0	(\$1,072,541)	\$0	\$0	\$24,454,544
<u>General Partner:</u>									
CHP III Management LLC	102,711	1,353	230	(11,065)	0	(10,835)	0	0	93,229
Total Partnership	\$25,629,796	\$1,353	\$23,105	(\$1,106,481)	\$0	(\$1,083,376)	\$0	\$0	\$24,547,773

* - Partners' Capital by definition does not include Contributions made by the General Partners in the form of Promissory Notes.

CHP III, L.P.
Statement of Partners' Capital Accounts
For the Nine Months Ended September 30, 2008

	Partners' Capital 12/31/2007	Net Capital Contributions	Non-Portfolio Income	Net Investment Income (Loss)	Realized Gains (Losses)	Total Income	Unrealized Gains (Losses)	Distributions	Partners' Capital 9/30/2008
<u>Limited Partners:</u>									
State Teachers Retirement System of Ohio	\$4,702,887	\$0	\$41,428	(\$478,989)	\$0	(\$437,561)	\$0	\$0	\$4,265,326
Health Evolution Partners LLC	0	3,571,825	60,168	(788,441)	0	(728,273)	0	0	2,843,552
LA City Employees Retirement System	2,351,445	0	20,714	(239,494)	0	(218,780)	0	0	2,132,665
Indiana State Teachers Retirement Fund	2,351,444	0	20,714	(239,494)	0	(218,780)	0	0	2,132,664
COPTL L.P. (Royal Mail)	1,567,627	0	13,810	(159,663)	0	(145,853)	0	0	1,421,774
Robert Wood Johnson Foundation	1,567,627	0	13,810	(159,663)	0	(145,853)	0	0	1,421,774
SVB Strategic Investors Fund III, L.P.	1,567,627	0	13,810	(159,663)	0	(145,853)	0	0	1,421,774
Fairview Capstone Partners, L.P.	1,567,628	0	13,810	(159,663)	0	(145,853)	0	0	1,421,775
Trustees of Princeton University	1,477,491	0	13,015	(150,482)	0	(137,467)	0	0	1,340,024
The Robertson Foundation	90,138	0	794	(9,181)	0	(8,387)	0	0	81,751
Venture Investment Associates VI, LP	940,578	267,887	12,798	(154,930)	0	(142,132)	0	0	1,066,333
Northwestern University	1,097,341	0	9,667	(111,763)	0	(102,096)	0	0	995,245
Hamilton Lane-Carpenters Fund II	783,815	0	6,905	(79,831)	0	(72,926)	0	0	710,889
Int. Union of Operating Engineers	783,815	0	6,905	(79,831)	0	(72,926)	0	0	710,889
WSI Investments, Inc.	783,815	0	6,905	(79,831)	0	(72,926)	0	0	710,889
Howard University (Endowment Fund)	391,908	0	3,452	(39,916)	0	(36,464)	0	0	355,444
Howard University Retirement Trust	391,908	0	3,452	(39,916)	0	(36,464)	0	0	355,444
Alexandria Equities, LLC	391,908	0	3,452	(39,916)	0	(36,464)	0	0	355,444
5332657 Manitoba Ltd. (Winnipeg Civic)	376,231	0	3,314	(38,319)	0	(35,005)	0	0	341,226
5332665 Manitoba Ltd. (Winnipeg Police)	94,058	0	829	(9,580)	0	(8,751)	0	0	85,307
United Gulf Investments, Ltd.	313,525	0	2,762	(31,932)	0	(29,170)	0	0	284,355
	\$23,592,816	\$3,839,712	\$272,514	(\$3,250,498)	\$0	(\$2,977,984)	\$0	\$0	\$24,454,544
<u>General Partner:</u>									
CHP III Management LLC	133,758	(10,447)	2,752	(32,834)	0	(30,082)	0	0	93,229
Total Partnership	\$23,726,574	\$3,829,265	\$275,266	(\$3,283,332)	\$0	(\$3,008,066)	\$0	\$0	\$24,547,773

* - Partners' Capital by definition does not include Contributions made by the General Partners in the form of Promissory Notes.

CHP III, L.P.
Statement of Partners' Accounts
For the Period from November 21, 2006 to September 30, 2008

	Partners' Contributions Account	Non-Portfolio Income	Net Investment Income (Loss)	Realized Gains (Losses)	Total Income	Unrealized Gains (Losses)	Distributions	Partners' Account
<u>Limited Partners:</u>								
State Teachers Retirement System of Ohio	\$5,357,737	\$90,251	(\$1,182,662)	\$0	(\$1,092,411)	\$0	\$0	\$4,265,326
Health Evolution Partners LLC	3,571,825	60,168	(788,441)	0	(728,273)	0	0	2,843,552
LA City Employees Retirement System	2,678,870	45,126	(591,331)	0	(546,205)	0	0	2,132,665
Indiana State Teachers Retirement Fund	2,678,869	45,126	(591,331)	0	(546,205)	0	0	2,132,664
COPTL L.P. (Royal Mail)	1,785,911	30,084	(394,221)	0	(364,137)	0	0	1,421,774
Robert Wood Johnson Foundation	1,785,911	30,084	(394,221)	0	(364,137)	0	0	1,421,774
SVB Strategic Investors Fund III, L.P.	1,785,911	30,084	(394,221)	0	(364,137)	0	0	1,421,774
Fairview Capstone Partners, L.P.	1,785,912	30,084	(394,221)	0	(364,137)	0	0	1,421,775
Trustees of Princeton University	1,683,223	28,354	(371,553)	0	(343,199)	0	0	1,340,024
The Robertson Foundation	102,689	1,730	(22,668)	0	(20,938)	0	0	81,751
Venture Investment Associates VI, LP	1,339,435	22,563	(295,665)	0	(273,102)	0	0	1,066,333
Northwestern University	1,250,140	21,059	(275,954)	0	(254,895)	0	0	995,245
Hamilton Lane-Carpenters Fund II	892,957	15,042	(197,110)	0	(182,068)	0	0	710,889
Int. Union of Operating Engineers	892,957	15,042	(197,110)	0	(182,068)	0	0	710,889
WSI Investments, Inc.	892,957	15,042	(197,110)	0	(182,068)	0	0	710,889
Howard University (Endowment Fund)	446,478	7,521	(98,555)	0	(91,034)	0	0	355,444
Howard University Retirement Trust	446,478	7,521	(98,555)	0	(91,034)	0	0	355,444
Alexandria Equities, LLC	446,478	7,521	(98,555)	0	(91,034)	0	0	355,444
5332657 Manitoba Ltd. (Winnipeg Civic)	428,619	7,220	(94,613)	0	(87,393)	0	0	341,226
5332665 Manitoba Ltd. (Winnipeg Police)	107,155	1,805	(23,653)	0	(21,848)	0	0	85,307
United Gulf Investments, Ltd.	357,182	6,017	(78,844)	0	(72,827)	0	0	284,355
	\$30,717,694	\$517,444	(\$6,780,594)	\$0	(\$6,263,150)	\$0	\$0	\$24,454,544
<u>General Partner:</u>								
CHP III Management LLC	310,280	5,226	(68,492)	0	(63,266)	0	0	247,014
Total Partnership	\$31,027,974	\$522,670	(\$6,849,086)	\$0	(\$6,326,416)	\$0	\$0	\$24,701,558

* - Statement of Partners' Accounts includes Contributions made by the General Partner in the form of Promissory Notes.

CHP III, L.P.
Comprehensive Investment Summary
For the Period from November 21, 2006 to September 30, 2008

Company	Investment Cost	GAAP Fair Value	Unrealized Gain (Loss)	Realized Value	Realized Gain (Loss)	Cumulative Investment Return
<i>Private Company Investments</i>						
Acorn Cardiovascular, Inc.	\$5,000,000	\$5,000,000	\$0	\$0	\$0	\$0
BioConnect Systems, Inc.	4,000,000	4,000,000	0	0	0	0
FluidNet Corporation	5,631,576	5,631,576	0	0	0	0
Inspired Technologies, Inc.	3,600,000	3,600,000	0	0	0	0
TOTAL INVESTMENTS	\$18,231,576	\$18,231,576	\$0	\$0	\$0	\$0

TO: The Limited Partners of CHP III, L.P.

FROM: John J. Park

DATE: October 15, 2008

SUBJECT: Portfolio Valuations for September 30, 2008

Investment securities held by CHP III, L.P. (the “Partnership”) are valued in accordance with the Standard Valuation Policy of the Partnership. In accordance with the Policy, we propose to value equity and interest-bearing securities of privately-held companies at fair market value. Due to the early stage nature of the CHP III investment portfolio, investment cost is presumed to be representative of the fair market value for investments initially, with adjustments made according to subsequent events of a significant nature that effect the valuation of the investment asset. Public securities are valued at market unless they are subject to legal trading restrictions. This memorandum delineates the portfolio valuation calculations as proposed by the General Partner, and approved by the Advisory Committee of the Partnership, for the investments held by the Partnership as of September 30, 2008.

ACORN CARDIOVASCULAR, INC. – On December 28, 2007, CHP III invested \$5.0 million in a \$22.0 million recapitalization financing for Acorn Cardiovascular, Inc. (“Acorn”). The financing was in the form of a Series X convertible preferred stock priced at a pre-money value of \$12.5 million for the company. Post-investment, CHP III holds a 14.7% ownership position in Acorn on a fully diluted basis.

The Partnership currently holds 5,000,000 shares of Acorn Series X convertible preferred stock. No significant milestone event has occurred that would impact our assessment of the valuation for this investment. Due to the recent nature of this investment, we propose that these shares have an assigned fair value based on their cost basis of \$1.00 per share. This produces a total assigned fair value of \$5,000,000 for the Acorn investment as of September 30, 2008, with no corresponding cumulative unrealized gain (loss) related to this investment. This valuation represents no change from the valuation for Acorn as of June 30, 2008.

Value Computation:

$$\begin{array}{lcl} \text{Series X Convertible Preferred Stock} & & \\ 5,000,000 \text{ shares} \times \$1.00 & = & \underline{\underline{\$5,000,000}} \end{array}$$

CHP III, L.P.

Portfolio Valuations as of September 30, 2008

Page 2 of 3

BIOCONNECT SYSTEMS, INC. – On March 29, 2007, Cardinal invested \$4.0 million as part of an \$8.2 million first round financing for Bioconnect Systems, Inc. The financing was in the form of a Series A convertible preferred stock priced at a pre-money value of \$3.5 million for the company. The financing also included the conversion of \$1.4 million in convertible notes into shares of Series A preferred. Post-investment, CHP III holds a 30.0% ownership position in Bioconnect on a fully diluted basis.

The Partnership currently holds 5,000,000 shares of Bioconnect Series A convertible preferred stock. The company has been in the pre-clinical testing stage since our initial investment in March 2007. No significant milestone event has occurred that would impact our assessment of the valuation for this investment. Therefore, we propose that these shares have an assigned fair value based on their cost basis of \$0.80 per share. This produces a total fair value of \$4,000,000 for the Bioconnect investment as of September 30, 2008, with no corresponding cumulative unrealized gain (loss) related to this investment. This valuation represents no change from the valuation for BioConnect as of June 30, 2008.

Value Computation:

$$\begin{array}{lcl} \text{Series A Convertible Preferred Stock} & & \\ 5,000,000 \text{ shares} \times \$0.80 & = & \underline{\$4,000,000} \end{array}$$

FLUIDNET CORPORATION – On May 23, 2007, CHP III invested \$3.0 million as part of the initial closing of \$5.5 million on a \$6.5 million first round financing for FluidNet Corporation. The financing was in the form of a Series A convertible preferred stock priced at a pre-money value of \$5.8 million for the company. On August 20, 2007, CHP III contributed \$860,000 to the \$1 million second closing of the financing. In August 2008, CHP III invested \$1,771,576 as part of a \$3 million extension to the Series A financing. CHP III currently holds a 38% ownership position in FluidNet on a fully diluted basis.

The Partnership currently holds 5,631,576 shares of Series A convertible preferred stock. FluidNet has been in the pre-clinical testing stage since our initial investment in May 2007. The company remains on its development plan that was the basis for the original valuation for FluidNet. Therefore, we propose that these shares continue to have an assigned fair value based on their cost basis of \$1.00 per share. This produces a total assigned fair value of \$5,631,576 for the FluidNet investment with no corresponding cumulative unrealized gain (loss). This valuation represents an increase of \$1,771,576 from the valuation for FluidNet as of June 30, 2008, representing the amount invested during the period.

Value Computation:

$$\begin{array}{lcl} \text{Series A Convertible Preferred Stock} & & \\ 5,631,576 \text{ shares} \times \$1.00 & = & \underline{\$5,631,576} \end{array}$$

CHP III, L.P.

Portfolio Valuations as of September 30, 2008

Page 3 of 3

INSPIRED TECHNOLOGIES, INC. (formerly COPD Partners) – On May 31, 2007, CHP III invested \$3.6 million as part of an \$8.5 million first round financing for COPD Partners, Inc. The financing was in the form of a Series A-1 convertible preferred stock priced at a pre-money value of \$5.8 million for the company. Birchmere Capital (an affiliate of Bay City Capital) led the financing that also included Draper Triangle Ventures and Innovation Ventures. Post-investment CHP III holds a 25.1% ownership position in the company on a fully diluted basis.

The Partnership currently holds 4,514,106 shares of Inspired Technologies Series A-1 convertible preferred stock. The company has recently entered its commercialization stage, in line with expectations. No significant milestone event has occurred this period that would impact our assessment of the valuation for this investment. Therefore, we propose that these shares continue to have an assigned fair value based on their cost basis of \$0.7975 per share. This produces a total assigned fair value of \$3,600,000 for the Inspired Technologies investment as of September 30, 2008, with no corresponding cumulative unrealized gain (loss) related to this investment. This valuation represents no change from the valuation for Inspired Technologies as of June 30, 2008.

Value Computation:

$$\begin{array}{rcl} \text{Series A-1 Convertible Preferred} & & \\ 4,514,106 \text{ shares} \times \$0.7975 & = & \underline{\underline{\$3,600,000}} \end{array}$$

CHP III, L.P
Proposed Portfolio Investment Valuation Summary
For the Quarter Ended September 30, 2008

Company	Investment	Fair Value 9/30/2008	Fair Value 6/30/2008	Change From Last Quarter	Reason For Change
Acorn Cardiovascular, Inc.	\$5,000,000	\$5,000,000	\$5,000,000	\$0	
BioConnect Systems, Inc.	\$4,000,000	\$4,000,000	\$4,000,000	\$0	
Fluidnet Corporation	\$5,631,576	\$5,631,576	\$3,860,000	\$1,771,576	Follow-on Investment. (note 1)
Inspired Technologies (formerly COPD)	\$3,600,000	\$3,600,000	\$3,600,000	\$0	
Total	<u>\$18,231,576</u>	<u>\$18,231,576</u>	<u>\$16,460,000</u>	<u>\$1,771,576</u>	

- (1) During the current quarter, CHP III contributed \$1,771,576 to a \$3.0 million addition to the \$6.5 million first round financing for FluidNet. This brings the CHP III total investment to \$5.6 million at a \$14.3 million valuation for the company.

ACORN CARDIOVASCULAR, INC.
Minneapolis, MN
{www.acorncv.com}

Devices for the Treatment of Patients with Heart Failure.

Period Summary: 3rd Quarter, 2008

Enrollment for the Mitral valve replacement open surgical (“MVR”) confirmatory clinical trial continues to lag expectations and remains priority. The trial format requires enrollment of 50 patients, originally forecast to be complete by February 2009. Through the end of this quarter, the company has achieved only 20% of that total and now expects to complete enrollment by mid-2009. After recruitment is complete, the trial requires a 6 month patient follow-up prior to submission to the FDA for product approval. A program to improve enrollment including internet marketing and expanded clinical sites has been initiated. Due to the lag in enrollment for the MVR study, the company cash burn is \$1 million lower than expected for 2008.

Meanwhile, the clinical development timeline for the minimally invasive CorCap only product remains on track. The company has begun recruitment of patients in Europe and has two clinical sites approved. A feasibility study for the CorCap product will be instituted in parallel in the United States and should be completed during Q3 2009.

Financial performance for the quarter was in line with expectations given the slower than anticipated patient recruitment for the MVR trial. Management expects to be about \$1 million ahead of its cash burn forecast for 2008. Current capital resources should be sufficient to operate under this plan well into Q4 2009.

With minimal sales effort, the company continues to sell its MVR product under CE Mark approval in Europe. It is expected that as the CorCap product nears approval in Europe late next year, a distribution agreement will be simultaneously completed with the company’s strategic partner in Europe, Thoratec Corporation.

The Series X recapitalization financing led by Cardinal in December 2008 includes an \$11 million second tranche triggered by the enrollment of the first patient in the confirmatory clinical trial for the CorCap minimally invasive product. The company remains on track for this milestone to be achieved in Q4 2009. The success of Acorn remains closely tied to the clinical approval of the CorCap minimally invasive product, which offers a substantial advantage over current more invasive procedures. Assuming the company stays on its current clinical timeline, we expect Acorn to be an attractive acquisition target by the end of 2010.

ACORN CARDIOVASCULAR, INC. (cont.)

FINANCIAL RESULTS: (\$000)

Overview: (FYE 12/31)

	<i>2006 Actual</i>	<i>2007 Actual</i>	<i>2008 Budget</i>
Revenues	228	132	360
COGS	978	895	1,242
R&D Expenses	1,770	891	1,548
SG&A	6,680	3,637	5,934
EBIT	-9,200	-5,291	-8,364
Interest and Taxes	-645	-696	+174
Net Income	-9,845	-5,987	-8,190

Last Three Months: Quarter Ended September 30, 2008

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	91	76	+15
COGS	298	300	+2
R&D Expenses	461	465	+4
SG&A	1,155	1,799	+644
EBIT	-1,823	-2,488	+665
Interest and Taxes	+34	+25	+9
Net Income	-1,789	-2,463	+674

Fiscal Year-to-Date: Nine Months Ended September 30, 2008

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	340	246	+94
COGS	951	948	-3
R&D Expenses	1,209	1,154	-55
SG&A	3,633	4,467	+834
EBIT	-5,453	-6,323	+870
Interest and Taxes	+156	+141	+15
Net Income	-5,297	-6,182	+885

ACORN CARDIOVASCULAR, INC. (cont.)

Summary Balance Sheet as of September 30, 2008: (\$000)

Cash	\$ 12,375	Accounts Payable	\$ 169
Accounts Receivable	142	Accrued Expenses	1,193
Other Current Assets	<u>111</u>	Current Portion of Debt	<u>1,512</u>
Total Current Assets	12,628	Total Current Liabilities	2,874
Net PP&E	272	Long Term Liabilities	0
Intangibles (Net)	0	Shareholders Equity	105,109
Other Assets	<u>26</u>	Retained Earnings	<u>-94,967</u>
Total Assets	<u>\$12,926</u>	Total Liabilities & Equity	<u>\$12,926</u>

Comments:

Average monthly cash burn for the quarter was \$705K as compared to \$600K last quarter. Cash burn is forecast to remain at ~\$700K per month through year-end as patient enrollment increases in the MVR confirmatory trial. Current management forecasts show the company has adequate capital resources to operate through Q4 2009.

CHP III, L.P. Holdings:

Series X Convertible Preferred Stock	5,000,000 shares
Assigned Fair Value (5,000,000 shares x \$1.00)	\$5,000,000
Investment Cost	\$5,000,000
Cost per Share	\$1.00

% Ownership (Full Dilution) 14.7%

Company Valuation at CHP III Cost	\$34.0 million
Company Valuation at Assigned Fair Value	\$34.0 million

Outlook:

Current capital resources (including the milestone based \$11 million second tranche of the Series X financing) are expected to be sufficient to support operations through completion of the MVR confirmatory trial, the CorCap feasibility trial, and well into the CorCap confirmatory trial. Assuming the company remains on its clinical timeline, we expect the company will be an attractive acquisition target by the end of 2010.

BIOCONNECT SYSTEMS, INC.
Ambler, PA
{www.bioconnectsystems.com}

Devices for creating and improving dialysis access.

Period Summary: 3rd Quarter, 2008

The big news for BioConnect this quarter was the successful completion of initial human clinical tests in September. The company implanted its Optiflow™ AV vascular access device in four patients with excellent patency and impressive post-operative flow. Additional human tests with a smaller device are planned for November. Chronic animal testing to validate implant performance was also completed during the quarter, in anticipation of preparing an initial FDA submission in early 2009. Burn rate at Bioconnect remains below forecast and the company has sufficient capital to operate through mid-year 2010.

The company continues with the parallel development of two design styles for its Optiflow™ AV product line. The initial design (end-to-side implant) is about 3-6 months ahead of the side-to-side design. Given the minimal amount of additional design work required for the side-to-side device, an IDE submission to the FDA is projected by the end of Q3 2009. The company is \$213K ahead of its cash burn forecast for 2008. Current capital resources are expected to be sufficient to support operations into Q3 2010.

The Bioconnect model will enable the company to achieve significant milestones on a relatively small amount of capital. The most likely exit scenario for Bioconnect would be acquisition by one of the major medical device company's with a specialty in cardiovascular or catheter based technology. There are several companies that could find Bioconnect an attractive acquisition target including: Arrow International, CR Bard, Boston Scientific, DaVita, Gambro, Edwards, Fresenius and Medtronic among them. The company is about 4 months behind its original clinical and regulatory approval timeline. Assuming the company stays on its current clinical and regulatory timeline, we expect the company to be an attractive acquisition target by the end of 2010.

BIOCONNECT SYSTEMS, INC. (cont.)**FINANCIAL RESULTS: (\$000)**

Overview: (FYE 12/31)

	<i>2006 Actual</i>	<i>2007 Actual</i>	<i>2008 Budget</i>
Revenues	0	0	0
R&D Expenses	25	436	1,010
SG&A	349	729	1,661
EBIT	-374	-1,165	-2,671
Interest and Taxes	-29	220	+267
Net Income	-403	-945	-2,404

Last Three Months: Quarter Ended September 30, 2008

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	0	0	0
R&D Expenses	297	203	-94
SG&A	445	580	+135
EBIT	-742	-783	+41
Interest and Taxes	+31	+62	-31
Net Income	-711	-721	+10

Fiscal Year-to-Date: Nine Months Ended September 30, 2008

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	0	0	0
R&D Expenses	639	699	+60
SG&A	994	1,202	+208
EBIT	-1,633	-1,901	+268
Interest and Taxes	+158	+213	-55
Net Income	-1,475	-1,688	+213

BIOCONNECT SYSTEMS, INC. (cont.)

Summary Balance Sheet as of September 30, 2008: (\$000)

Cash	\$ 6,123	Accounts Payable	\$ 48
Accounts Receivable	0	Accrued Expenses	230
Other Current Assets	<u>88</u>	Current Portion of Debt	<u>0</u>
Total Current Assets	6,211	Total Current Liabilities	278
Net PP&E	61	Long Term Liabilities	0
Intangibles (Net)	413	Shareholders Equity	9,397
Other Assets	<u>0</u>	Retained Earnings	<u>-2,990</u>
Total Assets	<u>\$ 6,685</u>	Total Liabilities & Equity	<u>\$ 6,685</u>

Comments:

The company is currently \$210K ahead of its cash forecast for 2008. Average monthly cash burn for the quarter was \$189K. Cash burn is expected to remain at ~\$200K per month through the end of the year as the company continues its pre-clinical human testing program. Management forecasts show that current capital resources are adequate to support operations into Q3 2010.

CHP III, L.P. Holdings:

Series A Convertible Preferred Stock	5,000,000 shares
Assigned Fair Value (5,000,000 shares x \$0.80)	\$4,000,000
Investment Cost	\$4,000,000
Cost per Share	\$0.80

% Ownership (Full Dilution) 30.0%

Company Valuation at CHP III Cost	\$13.1 million
Company Valuation at Assigned Fair Value	\$13.1 million

Outlook:

Current capital is expected to be sufficient to support operations through completion of product development, IDE Filing and well into a 510K confirmatory trial for FDA approval. Assuming the company remains on its current clinical and regulatory timeline, we expect the company will be an attractive acquisition target by the end of 2010.

FLUIDNET CORPORATION
Portsmouth, NH
{www.fluidnet.net}

Development of a next-generation clinical infusion pump.

Period Summary: 3rd Quarter, 2008

From an engineering and product development standpoint, the third quarter was one of the most productive since our initial investment in May 2007. In order to meet the goal of FDA submission in Q1 2009, the company needs to finalize all product engineering details by year-end 2008. So far these goals seem achievable. The company has successfully completed its software development, and has production tooling completed for several key sub-assemblies. During the quarter, the company completed a \$3 million add-on to the May 2007 Series A financing. Cardinal contributed \$1,771,576 towards this financing and now owns 38% of FluidNet on a fully diluted basis. This capital is expected to be sufficient to carry the company through regulatory approval and either into a strategic partnership including an equity infusion, or a second round private financing.

Also during the quarter, founders Jeff Carlisle and Brent Nibarger continued their conversations with hospital systems, and now believe they have 6-10 Integrated Delivery Network Hospitals prepared to pilot the FluidNet pump when it becomes available in Q2 2009. Conversations have also continued with go-to-market partners who will manage the distribution, support, training, and maintenance of pumps in the field.

A significant uncertainty centers on the current state of the FDA. In previous election cycles we have seen FDA approval times stretch due to personnel changes and policy uncertainty. Management believes that they are on track for a Q1 2009 submission of a 510K application with the FDA, which, in normal times, should allow initial product launch as early as May 2009.

There are several companies that are following progress at Fluidnet and could be possible early suitors including: Cardinal Health, Braun AG, McKesson, Becton Dickenson, General Electric, Baxter International, and Phillips. While we continue to believe this company will likely be an early acquisition target, we maintain reserves of \$3 million for potential future financings at FluidNet.

FLUIDNET CORPORATION (cont.)

FINANCIAL RESULTS: (\$000)

Overview: (FYE 12/31)

	<i>2006 Actual*</i>	<i>2007 Actual*</i>	<i>2008 Budget</i>
Revenues	0		0
R&D Expenses	505	902	1,450
SG&A	567	1,613	2,013
EBIT	-1,072	-2,515	-3,463
Interest and Taxes	+14	+65	+40
Net Income	-1,058	-2,450	-3,423

* - Subject to Audit

Last Three Months: Quarter Ended September 30, 2008

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	0	0	0
R&D Expenses	377	363	-14
SG&A	454	503	+50
EBIT	-830	-866	+36
Interest and Taxes	+7	+10	-3
Net Income	-823	-856	+33

Fiscal Year-to-Date: Nine Months Ended September 30, 2008

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	0	0	0
R&D Expenses	1,130	1,088	-43
SG&A	1,361	1,510	+149
EBIT	-2,491	-2,597	+106
Interest and Taxes	+22	+30	-8
Net Income	-2,469	-2,567	+98

FLUIDNET CORPORATION (cont.)**Summary Balance Sheet as of September 30, 2008: (\$000)**

Cash	\$ 3,626	Accounts Payable	\$ 22
Accounts Receivable	0	Accrued Expenses	44
Other Current Assets	<u>26</u>	Current Portion of Debt	<u>0</u>
Total Current Assets	3,652	Total Current Liabilities	66
Net PP&E	66	Long Term Liabilities	0
Intangibles (Net)	0	Shareholders Equity	5,589
Other Assets	<u>0</u>	Retained Earnings	<u>-1,937</u>
Total Assets	<u>\$ 3,718</u>	Total Liabilities & Equity	<u>\$ 3,718</u>

Comments:

Average monthly cash burn for the quarter was \$300K. Cash burn is forecast to remain at that level for the next few months as the company moves towards its 510K submission for FDA approval early next year. Current forecasts show the company has adequate capital resources to operate into Q3 2009.

CHP III, L.P. Holdings:

Series A Convertible Preferred Stock	5,631,576 shares
Assigned Fair Value (5,631,576 shares x \$1.00)	\$5,631,576
Investment Cost	\$5,631,576
Cost per Share	\$1.00

% Ownership (Full Dilution) 38.0%

Company Valuation at CHP III Cost	\$15.0 million
Company Valuation at Assigned Fair Value	\$15.0 million

Outlook:

With the additional \$3 million financing this quarter, the company has sufficient capital to achieve regulatory approval and initial pilot installations. We continue to believe this company could be an early acquisition target, but have reserved \$3 million for future financing requirements. We remain very excited about the prospects for the FluidNet investment.

INSPIRED TECHNOLOGIES, INC.
(formerly COPD Partners)
North Huntingdon, PA
{www.inspiredtechnologiesinc.net}

Innovative home liquid oxygen systems.

Period Summary: 3rd Quarter, 2008

The expected acceleration in product sales for Inspired during Q3 2008 was not realized. The company was well behind its sales forecast for the period, producing an inventory build-up and resulting in a \$1 million cash shortfall at the end of the current quarter. The Board has instructed management to refocus its business model on their portable units, emphasizing their proprietary SmartDose™ technology, which has been established as a market differentiator. At the same time, management is enacting cutbacks expected to reduce monthly burn by 50% next quarter. In October, Lisa Skeete Tatum and Chuck Hadley will be attending MedTrade, the premiere industry trade show, to further evaluate prospects for the company.

Cash burn is averaging almost \$600K per month for 2008. A significant portion of this burn was related to inventory build-up during Q2 in anticipation of the expected sales ramp in Q3. Current capital resources will not be sufficient to support operations through the end of Q4 2008 and the investors are discussing terms for a bridge financing to fund operations until the Board completes a more complete evaluation of options for the company. Cardinal has \$4 million in reserve for potential future financing requirements at Inspired Technologies, but we will await further clarification on the refocused sales and marketing plan before committing to any further funding.

INSPIRED TECHNOLOGIES, INC. (cont.)

FINANCIAL RESULTS: (\$000)

Overview: (FYE 12/31)

	<i>2006 Actual*</i>	<i>2007 Actual*</i>	<i>2008 Budget</i>
Revenues	0	0	10,112
COGS	0	0	10,733
R&D Expenses	2,056	1,852	2,102
SG&A	723	1,658	3,976
EBIT	-2,779	-3,510	-6,699
Interest and Taxes	+65	+45	-38
Net Income	-2,714	-3,465	-6,737

* - Subject to Audit

Last Three Months: Quarter Ended September 30, 2008

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	147	3,185	-3,038
COGS	358	3,923	+3,565
R&D Expenses	520	561	+41
SG&A	877	1,008	+131
EBIT	-1,608	-2,307	+699
Interest and Taxes	+14	-24	+38
Net Income	-1,594	-2,331	+737

Fiscal Year-to-Date: Nine Months Ended September 30, 2008

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	279	4,419	+1,234
COGS	615	5,773	+5,158
R&D Expenses	1,237	1,533	+296
SG&A	2,516	2,603	+87
EBIT	-4,089	-5,490	+1,401
Interest and Taxes	-26	+6	-32
Net Income	-4,115	-5,484	+1,369

INSPIRED TECHNOLOGIES, INC. (cont.)

Summary Balance Sheet as of September 30, 2008: (\$000)

Cash	\$ 635	Accounts Payable	\$ 533
Accounts Receivable	118	Accrued Expenses	165
Inventory & OCA	<u>1,696</u>	Current Portion of Debt	<u>29</u>
Total Current Assets	2,449	Total Current Liabilities	290
Net PP&E	219	Long Term Liabilities	3,000
Intangibles (Net)	0	Shareholders Equity	11,218
Other Assets	<u>0</u>	Retained Earnings	<u>-12,277</u>
Total Assets	<u>\$ 2,668</u>	Total Liabilities & Equity	<u>\$ 2,668</u>

Comments:

Average monthly cash burn for the quarter was \$561K. Management is enacting cutbacks expected to reduce that burn by 50% by the end of next quarter. Current capital resources will not be sufficient to support operations through the end of this year. The investor syndicate is discussing terms for a bridge financing.

CHP III, L.P. Holdings:

Series A-1 Convertible Preferred Stock	4,514,106, shares
Assigned Fair Value (4,514,106 shares x \$0.7975)	\$3,600,000
Investment Cost	\$3,600,000
Cost per Share	\$0.7975

% Ownership (Full Dilution) 25.1%

Company Valuation at CHP III Cost	\$14.3 million
Company Valuation at Assigned Fair Value	\$14.3 million

Outlook:

Notwithstanding the current disappointing performance at Inspired, the company is in a high growth market with a technology that is critical to the future success of its customer base. We still believe that the core SmartDose™ technology has significant value to the marketplace and remain hopeful that a refocused sales and marketing plan can result in a successful return on our investment.

APPENDIX A

CARDINAL PARTNERS**STATUS KEY: P - Pending**
C - Closed
I - Investment**DEALS RECEIVED JULY 1, THROUGH SEPTEMBER 30, 2008**

COMPANY & REFERRAL SOURCE	FILE	DESCRIPTION	TO	STATUS
ACCENX Roy Ziegler/Health Evolution Partners	08-140	Developed a health information exchange for hospitals, laboratories, clinical departments, payors and physician practices to participate with all others across the healthcare community.	BH	P
ADVANCED BACK TECHNOLOGIES Alan Siegel/Internal	08-138	Developed a multipurpose physical therapy table for the non-surgical treatment of pain associated with the lower back and neck.	LST	C
ADVANCED PHARMACY Jeffrey Carsello/Houlihan Lokey	08-109	Developed integrated in-house pharmacy platform for the long-term care industry.	LST	C
APPLIED GENETIC TECHNOLOGIES Garheng Kong/Internal	08-116	Developed clinical stage gene therapy for the treatment of neovascular age-related macular degeneration.	JC	P
BENECHILL Denise Barbut/Internal	08-114	Developed products for rapid non-invasive targeted brain cooling.	LST	C
BIOFISICA Diane Woolf/Covington Associates	08-139	Developed a device that uses bio-electric stimulation therapy (bio-current) to restore the conditions which promote natural healing.	BH	P

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COMPANY & REFERRAL SOURCE	FILE	DESCRIPTION	TO	STATUS
BIOLACTIS Pierre Lemieux/Internal	08-149	Develops and commercializes novel innovative and clinically proven Biologics meeting well identified needs from the Wellness Industries.	LST	C
BIOVENTRIX, INC. Alex Moen/CB Capital Partners	08-156	Developed advanced clinical solutions that treat heart failure patients.	LST	C
CARDIALEN INC. Karen Spilizewski/Bioenterprise, OH	08-133	Developed an implantable cardioverter defibrillator for cardiac arrhythmias.	LST	C
CARE MANAGEMENT SYSTEM Hamad Mahmood/Hamsen Technologies	08-110	Developed software that manages and plans hospital operations that support Clinical Systems.	LST	C
CAREPARTNERS PLUS Bernard Rudnick/CapGenic Advisors	08-137	Developed a combination of user-friendly technology and traditional media that engages the consumer at the point of care.	LST	C
CAREVIEW Steven C. Zahnnow/Develo Financial Group	08-150	Developed a suite of products which brings the information technology of the 21st century directly to patients, families and healthcare providers by connecting them through one easy-to-install and simple-to-use system.	LST	C

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CASCADE OPHTHALMICS Crystal Cunanan/Internal	08-154	Developed a glaucoma treatment device.	CH	P
CENTICE CORPORATION Pat Foley	08-160	Developed The PASS Rx system which improves the verification process for dispensed medications, thereby increasing patient safety.	LST	P
CIRCULITE, INC. Mark Olexy/Lazar Freres & Co. LLC	08-125	Developed the Synergy Pocket miniature circulatory assist device, designed to expand the treatment options for chronic heart failure patients.	LST	C
CONSUMER HEALTH SERVICES-CHS Mike Merson	08-142	Provides innovative practice management solutions to local and regional health systems, doctors, and retail locations	BH	P
ENDOSPHERE Jim McKinley/Internal	08-141	Developed an endoscopically implantable device that assists patients in losing weight and controlling Type 2 diabetes.	LST	P
ESOOTHE, INC. Simon Liebman/Internal	08-144	Provides a service to help individuals deal with the stresses and anxieties that infringe on their lives.	LST	C

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GENOSYS Nancy Twaits/Internal	08-120	Developed a pharmaceutical, biotechnical and medical gas generating system suitable for the control of human disease.	LST	C
HISTOGENICS Arnold Freedman/Boston Equity Advisors, LLC	08-158	Developed tissue regeneration breakthrough treatments for long-lasting joint repair.	LST	C
HUMAN BIOSYSTEMS INC. Tadaharu Wakabayashi/Wakabayashi Fund LLC	08-146	Developed a proprietary preservation technology for blood platelets and for human organs including hearts, kidneys, livers, lungs, heart valves and other tissues.	LST	C
INNOVATIVE CLINICAL SOLUTIONS, INC. Spencer Peller/Internal	08-128	Developed a method of increasing bone density through the use of specific electric fields.	CH	C
INTEGRITY APPLICATIONS Paula Joffe/JD Partners, LLC	08-105	Developed a family of non-invasive glucose monitoring devices mainly for diabetics.	LST	P
ION HEALTHCARE Gerry Schaafsma/Anthem Capital	08-162	Developed a program that will enhance the ability to diagnose and provide follow-up for patients with sleep apnea.	BH	P

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JANUS HEALTH, INC. Nancy Brown/Athenahealth	08-118	Developed a wireless, paperless mobile computerized charting platform for physicians.	BH	P
KNEE CREATIONS Marc Viscogliosi	08-132	Developed early stage knee osteoarthritis treatments.	LST	C
LOGITAL CO. LTD Lawrence Lee/Internal	08-119	Developed a product called Easyhear which boosts the performance of a hearing aid.	LST	C
MEDWAVES INC. Terrance McGovern/Crystal Cove Capital LLC	08-145	Developed microwave ablation systems for treatment of tumors and atrial fibrillation.	LST	C
MIGA SOLUTIONS Robert Rohorah	08-147	Delivered products and services designed to maximize the value and minimize the headache of managing and selling surplus medical equipment.	BH	P
MODERMED, INC. Bernard Kershner	08-113	Developed a health care service firm designed to create a better health care experience for patients, physicians and businesses.	BH	P

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MY PAYMENT NETWORK Steven Perdziola/Morgan, Lewis & Bockius LLP	08-111	Developed electronic payment solutions that are typically only available to enterprise level companies, easy and cost effective for small to medium enterprises.	LST	C
NANOVIS Matthew Hedrick, COO/Internal	08-153	Developed technology that could be ideal for creating better artificial joints and other body implants.	LST	C
NEUROGENERATION Heather Larrabee/Internall	08-143	Developed new treatments and products for patients with neurological diseases, including Parkinson's Disease, Alzheimer's Disease, Epilepsy, Spinal Cord injury, Stroke and MS/ALS.	LST	C
NEUROGENOMEX, INC. Bill Checovich/Wisconsin Alumni Research Foundation	08-152	Focused on CNS drug target development and validation.	JC	P
NICAST Adam Dakin/Bioconnect Systems	08-129	Developed electrospinning-based platform nanotechnology to manufacture nanofibers and matrices for applications.	CH	C
ORALCDX Dan Conley	08-121	Developed the "Brush Test" which tests any spots in the mouth early to prevent oral cancer.	LST	C

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ORPHAGENIX, INC. Mitchell Glass/Internal	08-127	Developed proprietary single stranded DNA oligonucleotides (ssODN) for DNA editing.	CH	C
PEDIGUARD Paddy Mullen/DiscoveryOrtho Partners	08-157	Developed a handheld wireless device that can detect possible vertebral cortex perforation during pedicle preparation.	CH	C
PHYTOMEDICS, INC. James McNaughton/Janney Montgomery Scott, LLC	08-130	Developed plant-based pharmaceuticals, nutraceuticals and recombinant proteins through proprietary platform technologies.	LST	C
PREVENTIVE MEDICINE Edward Murphy/Internal	08-123	Developed a system of software that will support comprehensive healthcare prevention plans targeted at chronic diseases.	BH	P
REGEAR LIFE SCIENCES Steven Perdziola/Morgan, Lewis & Bockius LLP	08-112	Developed therapeutic deep heating solutions for sports injuries.	LST	C
REGENSKIN MATRIX THERAPY Beth Van Ackeren	08-136	Developed a regenerative device for healing wounds and severe burns.	LST	C

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SAFE FOOD TECHNOLOGIES Gary Hobbib/Fairlook Advisors, LLC	08-134	Developed technologies designed to eliminate the deadly pathogens endangering the environment, animals and global food supply.	CH	C
SANUWAVE, INC. Morris Shinderman/Murdock Capital Partners Corporation	08-126	Developed Pulsed Acoustic Cellular Expression (PACE) technology for advanced wound care, orthopedic, cardiovascular and spine/neurological conditions.	CH	C
SCIONA Peter Vitulli/Internal	08-117	Provides customized health and wellness solutions.	LST	C
SEGINUSMD Dr. Parikh/Internal	08-106	Developed outpatient mental and behavioral health and practice management systems.	LST	C
SENO MEDICAL Chris Rogers/Shattuck Hammond	08-159	Developed a new modality in cancer screening and diagnosis - laser opto-acoustic imaging device.	LST	C
SENSYS MEDICAL, INC. Marilyn Brydges/Middlebury Alternative Investment Advisors	08-115	Developed a non-invasive blood glucose monitoring device.	LST	C

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SUNSTONE YOGA David A. Wareikis/Bluffview Securities, LP	08-155	Developed yoga studios and teacher training programs.	LST	C
SURGICAL OUTCOME SUPPORT Jamie Grooms/Axogen	08-103	Web based resource for outcome data and evidence-based pre-operative information.	LST	C
SURGILIGHT INC. Aliza Kramer/Star Venture Capital LLC	08-161	Developed ophthalmic lasers primarily for the use in photo-refractive keratectomy and Laser in-Situ keratomileusis procedures for treatment of presbyopia.	LST	C
SWISSRAY INTERNATIONAL Erik Ostrowski/Leerink Swann LLC	08-107	Developed state-of-the-art direct digital Radiography ddR technology.	BH	P
SYNAPSE BIOMEDICAL INC. Jon Snyder/Arboretum Ventures	08-108	Developed neurostimulation products for respiratory insufficiency disorders.	LST	P
UNITE, LLC Walter J. Olshanski/Shattuck Hammond Partners	08-104	Developed software for managed care organizations, to automate adjudication of claims and customer service.	LST	C

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VIVASCAN Michael J. Hanewich/Silicon Valley Bank	08-124	Developed a non-invasive, painless and bloodless glucose meter for diabetic patients.	BH	P
WARM HEALTH INC. Daniel Freier/Internal	08-148	Developed and markets a tool created to assist in the care and communication management of health plan members.	LST	C
WITHIN3 Jim Bennett	08-135	Online professional networking site for health and life science practitioners worldwide to find, connect and collaborate with the right colleague right now.	BH	P