

**CHP II, L.P.**  
**QUARTERLY REPORT**  
**1st QUARTER, 2002**

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TO: The Limited Partners

FROM: John K. Clarke

DATE: May 31, 2002

SUBJECT: Activity for the Quarter Ended March 31, 2002

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Activity in the portfolio during the quarter was primarily positive. During the quarter, iPhysicianNet completed an \$11 million insider-led financing and IntelliCare reached agreement on terms for a \$10 million second round financing with Canaan Partners. Following are short summaries of activity for the quarter in each of our portfolio companies.

***AthenaHealth*** – Performance for the quarter was mixed. While sales were well below plan, improvements in implementing new customers led to better financial results than forecast in terms of revenue, net loss and cash flow. Management expects Q2 to show a substantial improvement in sales and remains optimistic of achieving break even in Q4 2002. With \$14 million in cash, the company has two years of operating capital at the current burn rate.

***IntelliCare America*** – Financial performance continues to trend favorably, even though revenues for the quarter were below expectation. Management has controlled expenses well and is ahead of plan for net income and cash flow. Annualized revenue run rate is currently \$8 million, with a solid sales pipeline to support Q2 growth. As the quarter ended, the company has agreed to terms on a \$10 million second round financing to be led by Canaan Partners. To provide the company with working capital until this financing closes, the current investors bridged the company \$800K during the quarter, with CHP II contributing \$370K.

***iPhysicianNet (IPNI)*** – Financial performance for the quarter continued the positive trend of the last six months of 2001. Revenues, cash flow and net loss were all ahead of plan for the period. In February, the company completed a staged \$11 million insider-led financing, with CHP II investing \$758K. The financing included substantially all of the current investors. One-half of the financing is being held in escrow pending the achievement of specific performance milestones geared toward revenue enhancement and cost containment. Management is confident of achieving the milestones by the end of next quarter.

***Molecular Mining*** – Software sales were slow for the first two months of 2002, leading to a 30% revenue shortfall from plan. Sales were encouraging in March and management is working to develop distribution and OEM relationships. Revenue generating collaborative projects with pharmaceutical manufacturers have also been slow to develop, with a longer than anticipated sales cycle. Management has kept expenses under control and net loss has remained better than forecast. Given the slow sales ramp, the investors have begun a concerted effort to explore strategic relationships with other bioinformatics companies.

**ParkStone** – No change in the status of the ParkStone investment occurred during the quarter. We are awaiting the release of escrowed funds being held by the Court.

**Rib-X Pharmaceuticals** – Rib-X is making good progress at this early stage. Management has been focused on recruitment of personnel along with the build-out of its Lab/Office facility in New Haven. By the end of the summer, the company should be fully operational.

Included in this report are financial statements for the period, a portfolio valuation summary, an update on each of our current portfolio companies and a summary deal activity report.

### **Investment Activity:**

CHP II invested \$758K representing our prorated share of an \$11 million financing co-led by current investors Veron International and BioAsia Investments. Including the warrant coverage, the financing was priced at essentially the same value as the previous round completed in the fall of 2000.

Also during the quarter, CHP II contributed a total of \$370K in the form of convertible notes to bridge IntelliCare to a second round financing expected to close in Q2.

### **Deal Flow:**

During the quarter, we have reviewed 140 business proposals. Current “A” deals include BioSyn, CardioOptics, CodeCorrect, In-X Corporated, MicroDose Technologies, Mimeon, Nano-X Therapeutics, P5E.Health Services, Inc., Picoliter, UltraBridge and Viral Genomics.

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

### **Financial Results:**

During the quarter, CHP II completed one capital call for \$1.3 million. Utilization of these funds included the \$758K investment in iPhysicianNet, the \$370K in bridge notes for IntelliCare and to pay fund operating expenses and fees. The cash balance at the end of the period was \$27,868. Partners’ Capital at the end of March stands at \$16,880,023 with cumulative capital contributions from inception totaling \$30,053,255.

Net Loss for the quarter ended March 31, 2002, totaled \$733k representing net operating expenses for the period.

### **Looking forward:**

We continue to work diligently to build value in our portfolio and to pursue new investment opportunities with enthusiasm and attention to fundamentals. We welcome your input and appreciate your support.

**CHP II, L.P.**  
**Income Statement**  
**For the Period Ended March 31, 2002**

	Three Months Ended 03/31/02
Revenue:	
Non Portfolio Income	\$1,045
Interest-Equivalent Amounts	0
Expenses:	
Management Fee	734,217
Professional Fees	5,629
NVCA Dues & Expenses	0
Amortization of Organization Costs	0
Miscellaneous Expenses	0
Total Expenses	<u>739,846</u>
Net Operating Expense	(738,801)
Investment Income	<u>6,210</u>
Net Income Before Gains (Losses)	(732,591)
Realized Gains (Losses)	0
Unrealized Gains (Losses)	<u>0</u>
Net Income (Loss)	<u><u>(\$732,591)</u></u>

**CHP II, L.P.**  
**Balance Sheet**  
**As of March 31, 2002**

<b>ASSETS:</b>	Period Ended 03/31/02	Period Ended 12/31/01
Cash and Short-Term Investments	\$27,868	\$419,280
Accrued Interest	16,657	10,447
Escrow for Investment	0	0
Venture Capital Investments	16,898,375	15,770,478
Organization Costs (Net of Accum. Amortization)	0	0
Other Assets	142,752	136,577
	<u>\$17,085,652</u>	<u>\$16,336,782</u>
 <b>LIABILITIES &amp; CAPITAL:</b>		
Accrued Expenses and Payables	\$205,629	\$25,248
Investment due Portfolio Company	0	0
Partners' Accounts	16,880,023	16,311,534
Total Liabilities and Capital	<u>\$17,085,652</u>	<u>\$16,336,782</u>

**CHP II, L.P.**  
**Footnotes**  
**As of March 31, 2002**

Note 1 – CHP II, L.P. is a Limited Partnership and as such is not subject to income taxes at the partnership level.

Note 2 – Net Organization Costs	03/31/02	12/31/01
	<u>                    </u>	<u>                    </u>
Organization Costs	\$183,232	\$183,232
Accumulated Amortization	(183,232)	(183,232)
Total	<u>          \$0          </u>	<u>          \$0          </u>

Note 3 – General Partner Promissory Notes	03/31/02	12/31/01
	<u>                    </u>	<u>                    </u>
GP Promissory Note Principal	\$142,752	\$136,577
Offset against Partners' Capital	0	0
Total	<u>          \$142,752          </u>	<u>          \$136,577          </u>

Note 4 – Accrued Expenses	03/31/02	12/31/01
	<u>                    </u>	<u>                    </u>
Professional Fees	\$5,629	\$17,032
NVCA Dues & Annual Meeting	0	8,216
Accrued Management Fees	200,000	0
Total	<u>          \$205,629          </u>	<u>          \$25,248          </u>

**CHP II, L.P.**  
**Statement of Cash Flows**  
**For the Period Ended March 31, 2002**

	Three Months Ended 03/31/02
<b>Cash flows from operating activities</b>	
Net Income Before Gains (Losses)	(\$732,591)
Adjustments to reconcile net income before gains (losses) to net cash used in operating activities:	
Accrued Interest Receivable	(6,210)
Net Organization Costs	0
Other Assets	0
Accrued Expenses & Payables	180,381
	<hr/>
Net Cash used in Operating Activities	(558,420)
<b>Cash flows from investing activities</b>	
Purchases of venture capital investments	(1,127,897)
Sales of venture capital investments	0
	<hr/>
Net cash used in investing activities	(1,127,897)
<b>Cash flows from financing activities</b>	
Cash contributions by partners	1,294,905
Cash distribution to partners	0
	<hr/>
Net cash provided by financing activities	1,294,905
 Net Change in Cash and Short Term Investments	 (391,412)
Cash and Short Term Investments, beginning	419,280
Cash and Short Term Investments, ending	<hr/> \$27,868 <hr/>



**CHP II, L.P.**  
**Schedule of Venture Capital Investments**  
**As of March 31, 2002**

<b>Company</b>	<b>Debt</b>	<b>Equity</b>	<b>Total Cost</b>	<b>Fair Value</b>	<b>Unrealized Gain (Loss)</b>
AthenaHealth, Inc.	\$0	\$5,000,001	\$5,000,001	\$5,000,001	\$0
IntelliCare America, Inc.	0	3,370,000	3,370,000	3,370,000	0
iPhysician Net, Inc.	0	5,757,897	5,757,897	5,757,897	0
Molecular Mining Corp.	0	1,509,060	1,509,060	1,509,060	0
ParkStone Medical Systems	2,461,693	0	2,461,693	136,417	(2,325,276)
Rib-X Pharmaceuticals	0	1,125,000	1,125,000	1,125,000	0
Totals	\$2,461,693	\$16,761,958	\$19,223,651	\$16,898,375	(\$2,325,276)

**CHP II, L.P.**  
**Statement of Partners' Contributions Accounts**  
**As of March 31, 2002**

	Partners' Total Subscription	Contributions Account 12/31/01	Period Contribution in Cash	Period Contribution by Note	Contributions Account 03/31/02	Partners' Outstanding Subscription
<u>Limited Partners</u>						
State Teachers Ret. System of Ohio	\$30,000,000	\$7,342,835	\$331,986	\$0	\$7,674,821	\$22,325,179
Nassau Capital Funds	10,000,000	2,447,611	110,662	0	2,558,273	7,441,727
Robert Wood Johnson Foundation	10,000,000	2,447,611	110,662	0	2,558,273	7,441,727
Northwestern University	10,000,000	2,447,611	110,662	0	2,558,273	7,441,727
LACERA	10,000,000	2,447,611	110,662	0	2,558,273	7,441,727
Textron Master Trust	10,000,000	2,447,611	110,662	0	2,558,273	7,441,727
First Union Investors, Inc.	7,500,000	1,835,709	82,997	0	1,918,706	5,581,294
Pension Commissioners of City of LA	5,000,000	1,223,806	55,331	0	1,279,137	3,720,863
Princess Private Equity	5,000,000	1,223,806	55,331	0	1,279,137	3,720,863
Hillside Capital Incorporated	3,500,000	856,662	38,732	0	895,394	2,604,606
Hamilton Lane-Carpenters Fund	3,000,000	733,383	34,099	0	767,482	2,232,518
UNISYS Master Trust	3,000,000	734,283	33,199	0	767,482	2,232,518
Venture Investment Associates III, L.P.	2,300,000	562,950	25,452	0	588,402	1,711,598
Fleet Growth Resources (Summit)	2,000,000	489,524	22,132	0	511,656	1,488,344
S.R. One Limited	2,000,000	489,524	22,132	0	511,656	1,488,344
Pharma BioDevelopment, Inc.	2,000,000	489,524	22,132	0	511,656	1,488,344
Private Equity Holdings II, Ltd.	1,000,000	244,761	11,067	0	255,828	744,172
	\$116,300,000	\$28,464,822	\$1,287,900	\$0	\$29,752,722	\$86,547,278
<u>General Partner</u>						
CHP II Management, LLC.	1,174,747	287,353	13,180	0	300,533	874,214
Total Partnership	\$117,474,747	\$28,752,175	\$1,310,080	\$0	\$30,053,255	\$87,421,492

**CHP II, L.P.**  
**Statement of Partners' Distributive Share of Net Assets**  
**For the Period Ended March 31, 2002**

	Private Securities	Public Securities	Cash	Other Assets	Total Assets	Accrued Expenses	Net Assets 03/31/02
<u>Limited Partners</u>							
State Teachers Ret. System of Ohio	\$4,315,408	\$0	\$7,118	\$40,709	\$4,363,235	(\$52,514)	\$4,310,721
Nassau Capital Funds	1,438,469	0	2,372	13,570	1,454,411	(17,504)	1,436,907
Robert Wood Johnson Foundation	1,438,469	0	2,372	13,570	1,454,411	(17,504)	1,436,907
Northwestern University	1,438,469	0	2,372	13,570	1,454,411	(17,504)	1,436,907
LACERA	1,438,469	0	2,372	13,570	1,454,411	(17,504)	1,436,907
Textron Master Trust	1,438,469	0	2,372	13,570	1,454,411	(17,504)	1,436,907
First Union Investors, Inc.	1,078,853	0	1,779	10,177	1,090,809	(13,128)	1,077,681
Pension Commissioners of City of LA	719,234	0	1,186	6,784	727,204	(8,752)	718,452
Princess Private Equity	719,234	0	1,186	6,784	727,204	(8,752)	718,452
Hillside Capital Incorporated	503,462	0	830	4,749	509,041	(6,126)	502,915
Hamilton Lane-Carpenters Fund	431,540	0	711	4,071	436,322	(5,251)	431,071
UNISYS Master Trust	431,540	0	711	4,071	436,322	(5,251)	431,071
Venture Investment Associates III, L.P.	330,845	0	546	3,121	334,512	(4,026)	330,486
Fleet Growth Resources (Summit)	287,694	0	475	2,714	290,883	(3,501)	287,382
S.R. One Limited	287,694	0	475	2,714	290,883	(3,501)	287,382
Pharma BioDevelopment, Inc.	287,694	0	475	2,714	290,883	(3,501)	287,382
Private Equity Holdings II, Ltd.	143,848	0	237	1,357	145,442	(1,750)	143,692
	\$16,729,391	\$0	\$27,589	\$157,815	\$16,914,795	(\$203,573)	\$16,711,222
<u>General Partner</u>							
CHP II Management, LLC.	168,984	0	279	1,594	170,857	(2,056)	168,801
Total Partnership	\$16,898,375	\$0	\$27,868	\$159,409	\$17,085,652	(\$205,629)	\$16,880,023

**CHP II, L.P.**  
**Statement of Partners' Capital Accounts \***  
**For the Period Ended March 31, 2002**

	Partners' Capital 01/01/01	Net Capital Contributions	Non-Portfolio Income	Net Investment Income	Realized Gains (Losses)	Total Income	Unrealized Gains (Losses)	Distributions	Partners' Capital 03/31/02
<u>Limited Partners</u>									
State Teachers Ret. System of Ohio	\$4,165,819	\$331,986	\$266	(\$187,350)	\$0	(\$187,084)	\$0	\$0	\$4,310,721
Nassau Capital Funds	1,388,607	110,662	89	(62,451)	0	(62,362)	0	0	1,436,907
Robert Wood Johnson Foundation	1,388,607	110,662	89	(62,451)	0	(62,362)	0	0	1,436,907
Northwestern University	1,388,607	110,662	89	(62,451)	0	(62,362)	0	0	1,436,907
Textron Master Trust	1,388,607	110,662	89	(62,451)	0	(62,362)	0	0	1,436,907
LACERA	1,388,607	110,662	89	(62,451)	0	(62,362)	0	0	1,436,907
First Union Investors, Inc.	1,041,455	82,997	67	(46,838)	0	(46,771)	0	0	1,077,681
Pension Commissioners of City of LA	694,302	55,331	44	(31,225)	0	(31,181)	0	0	718,452
Princess Private Equity	694,302	55,331	44	(31,225)	0	(31,181)	0	0	718,452
Hillside Capital Incorporated	486,010	38,732	31	(21,858)	0	(21,827)	0	0	502,915
Hamilton Lane-Carpenters Fund	415,680	34,099	27	(18,735)	0	(18,708)	0	0	431,071
UNISYS Master Trust	416,580	33,199	27	(18,735)	0	(18,708)	0	0	431,071
Venture Investment Associates III	319,378	25,452	20	(14,364)	0	(14,344)	0	0	330,486
Fleet Growth Resources (Summit)	277,722	22,132	18	(12,490)	0	(12,472)	0	0	287,382
S.R. One Limited	277,722	22,132	18	(12,490)	0	(12,472)	0	0	287,382
Pharma BioDevelopment, Inc.	277,722	22,132	18	(12,490)	0	(12,472)	0	0	287,382
Private Equity Holdings II, Ltd.	138,861	11,067	9	(6,245)	0	(6,236)	0	0	143,692
	\$16,148,588	\$1,287,900	\$1,034	(\$726,300)	0	(\$725,266)	\$0	\$0	\$16,711,222
<u>General Partner</u>									
CHP II Management, LLC.	26,369	7,005	11	(7,336)	\$0	(7,325)	0	0	26,049
Total Partnership	\$16,174,957	\$1,294,905	\$1,045	(\$733,636)		(\$732,591)	\$0	\$0	\$16,737,271

\* - Partners' Capital, by definition, does not include contributions made by the General Partner in the form of Promissory Notes.

**CHP II, L.P.**  
**Statement of Partners' Accounts**  
**For the Period from April 25, 2000 to March 31, 2002**

	Partners' Contribution Account	Non-Portfolio Income	Net Investment Income	Realized Gains (Losses)	Total Income	Unrealized Gains (Losses)	Distributions	Partners' Account
<u>Limited Partners</u>								
State Teachers Ret. System of Ohio	\$7,674,821	\$13,711	(\$1,507,127)	(\$1,276,869)	(\$2,770,285)	(\$593,815)	\$0	\$4,310,721
Nassau Capital Funds	2,558,273	4,572	(502,376)	(425,624)	(923,428)	(197,938)	0	1,436,907
Robert Wood Johnson Foundation	2,558,273	4,572	(502,376)	(425,624)	(923,428)	(197,938)	0	1,436,907
Northwestern University	2,558,273	4,572	(502,376)	(425,624)	(923,428)	(197,938)	0	1,436,907
LACERA	2,558,273	4,572	(502,376)	(425,624)	(923,428)	(197,938)	0	1,436,907
Textron Master Trust	2,558,273	4,572	(502,376)	(425,624)	(923,428)	(197,938)	0	1,436,907
First Union Investors, Inc.	1,918,706	3,429	(376,782)	(319,218)	(692,571)	(148,454)	0	1,077,681
Pension Commissioners of City of LA	1,279,137	2,284	(251,188)	(212,812)	(461,716)	(98,969)	0	718,452
Princess Private Equity	1,279,137	2,284	(251,188)	(212,812)	(461,716)	(98,969)	0	718,452
Hillside Capital Incorporated	895,394	1,599	(175,832)	(148,968)	(323,201)	(69,278)	0	502,915
Hamilton Lane-Carpenters Fund	767,482	1,372	(150,714)	(127,687)	(277,029)	(59,382)	0	431,071
UNISYS Master Trust	767,482	1,372	(150,174)	(127,687)	(277,029)	(59,382)	0	431,071
Venture Investment Associates III	588,402	1,051	(115,548)	(97,893)	(212,390)	(45,526)	0	330,486
Fleet Growth Resources (Summit)	511,656	914	(100,475)	(85,125)	(184,686)	(39,588)	0	287,382
S.R. One Limited	511,656	914	(100,475)	(85,125)	(184,686)	(39,588)	0	287,382
Pharma BioDevelopment, Inc.	511,656	914	(100,475)	(85,125)	(184,686)	(39,588)	0	287,382
Private Equity Holdings II, Ltd.	255,828	458	(50,238)	(42,562)	(92,342)	(19,794)	0	143,692
	\$29,752,722	\$53,162	(\$5,842,636)	(\$4,950,003)	(\$10,739,477)	(\$2,302,023)	\$0	\$16,711,222
<u>General Partner</u>								
CHP II Management, LLC.	300,533	538	(59,017)	(50,000)	(108,479)	(23,253)	0	168,801
Total Partnership	\$30,053,255	\$53,700	(\$5,901,653)	(\$5,000,003)	(\$10,847,956)	(\$2,325,276)	\$0	\$16,880,023

TO: The Limited Partners

FROM: John J. Park

DATE: January 29, 2002

SUBJECT: Portfolio Valuations for March 31, 2002

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Investment securities held by CHP II, L.P. (the "Partnership") have been valued in accordance with the Standard Valuation Policy of the Partnership. In accordance with the Policy, we propose to value restricted securities at cost, until subsequent events of a significant nature indicate the need for a change. This memorandum delineates the portfolio valuation calculations proposed by the General Partner for those investments not valued at cost, as of March 31, 2002.

**PARKSTONE MEDICAL** – In August 2001, ParkStone filed for protection under Chapter 11 of the US Bankruptcy Code. In October 2001, CHP II received a distribution of \$113,583 representing our pro-rata share of the initial distribution of proceeds from the sale of ParkStone's assets. As a result, we reduced the carrying value for our secured notes to \$136,417 (\$250,000 - \$113,583), and reduced the cost basis for the notes by \$113,583. In addition, company counsel has informed us that our equity investment is worthless and we have written its value from \$1,000 to \$0, recorded a realized loss for \$5,000,003, reduced the cost basis for the ParkStone investment by \$5,000,003 and reversed the previously unrealized loss of \$4,999,003. The ParkStone investment is now valued at \$136,417, resulting in an unrealized loss of \$2,325,275 on our cost basis of \$2,461,692 as of March 31, 2002. This valuation represents no change from our carrying value as of December 31, 2001.

Value Computation:

10% Secured Convertible Demand Note	
\$2,575,275 Face Value	<u>136,417</u>
Total Value	<u>\$136,417</u>

**CHP II, L.P.**  
**Portfolio Valuation Summary**  
**For the Quarter ended March 31, 2002**

<u>Portfolio Company</u>	<u>Investment</u>	<u>Fair Value 03/31/02</u>	<u>Fair Value 12/31/01</u>	<u>Change from Prior Quarter</u>	<u>Reason for Change</u>
AthenaHealth, Inc.	\$5,000,001	\$5,000,001	\$5,000,001	\$0	
Intellicare America, Inc.	3,370,000	3,370,000	3,000,000	370,000	Bridge Note Investment (note 1)
IPhysicianNet, Inc.	5,757,897	5,757,897	5,000,000	757,897	Follow-on Investment (note 2)
Molecular Mining Corporation	1,509,060	1,509,060	1,509,060	0	
ParkStone Medical Information Systems.	2,461,693	136,417	136,417	0	
Rib-X Pharmaceuticals	1,125,000	1,125,000	1,125,000	0	
Total Portfolio	\$19,223,651	\$16,898,375	\$15,770,478	\$1,127,897	

- 1) During the quarter, CHP II invested \$370,000 as part of a \$1 million commitment made last quarter to bridge Intellicare to a second round equity financing. The bridge is in the form of an 8% secured convertible promissory note with warrants.
- 2) On February 22, 2002, CHP II invested \$757,897, as it's pro rata share of an \$11 million Series G financing for IphysicianNet. The financing was co-led by current investors Veron International and BioAsia. The financing carried a pre-money value essentially equivalent to the last financing round completed in Q4 2000.

**ATHENAHEALTH, INC.**  
**Waltham, MA**  
*{www.athenahealth.com}*

**Web-Based Business Services for Medical Groups**

Period Summary: 1st Quarter 2002

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Company performance in the first quarter was mixed. Implementations are ahead of plan, driving better revenue, margins, net income and cash flow than plan. Sales for the quarter missed plan by more than 50%, with results poor in all regions except the South. Overall head count continues to lag plan resulting in a favorable variance in terms of cash burn. Service levels improved, but performance remains below standards in general and management has initiated improvement initiatives.

Sales performance for the quarter was well below plan. The second quarter is likely to show a substantial improvement across all regions, but the company will likely miss its breakeven goal of November if the company does not book sales of \$6 million in Q2. While management believes the pipeline is sufficient to attain this level of sales, historically slippage of large accounts has led to sales underperformance vs. expectations. Accordingly, management will closely monitor Q2 sales at the end of April and May, developing planning tradeoffs as needed.

Financial performance for the quarter was ahead of plan on all fronts. Revenues topped \$2 million, almost 10% above plan. Gross margin was positive in all products categories for the first time in March. Newly implemented accounts with better pricing, in combination with the improvement of pricing at one large account, are expected to drive margins to about 30% in April. Operating Expenses are lower than plan primarily from lower headcount. Combining all these favorable factors, net income for the period was 11% better than expected.

Service levels improved particularly in the area of claim follow-up, but performance remains below standards. Significant attention has been paid to process analysis, leading to the identification of a wide range of process improvement needs, particularly in quality assurance and organizational accountability. The pilot outsourcing of payment posting has begun with the projected improvements in performance and cost on track. Replacement of Global Crossing by WorldCom to improve connectivity reliability has also begun.

While the financial results for the first quarter were very encouraging, the continuing inconsistent nature of the company's sales remains a concern. Management and the investors are keenly focused on sales for April and May as the company's breakeven forecast depends heavily on achieving high Q2 sales.



**ATHENAHEALTH, INC (cont.)**

**FINANCIAL RESULTS: (\$000)**

Overview: (FYE 12/31)

	<i>2000 Actual</i>	<i>2001 Preliminary*</i>	<i>2002 Budget</i>
Revenues	2,580	3,819	17,960
Direct Expenses	4,242	6,480	10,923
SG&A	6,833	10,914	11,489
EBIT	-8,495	-13,575	-4,452
Interest and Taxes	347	844	-21
<b>Net Income</b>	<b>-8,148</b>	<b>-12,731</b>	<b>-4,473</b>

\* Subject to Audit

Last Three Months: Quarter Ended March 31, 2002

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	2,121	1,965	+156
Direct Expenses	2,144	2,193	+49
SG&A	2,520	2,639	+119
EBIT	-2,543	-2,867	+324
Interest and Taxes	24	47	-23
<b>Net Income</b>	<b>-2,519</b>	<b>-2,820</b>	<b>+301</b>

Fiscal Year-to-Date: Three Months Ended March 31, 2002

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	2,121	1,965	+156
Direct Expenses	2,144	2,193	+49
SG&A	2,520	2,639	+119
EBIT	-2,543	-2,867	+324
Interest and Taxes	24	47	-23
<b>Net Income</b>	<b>-2,519</b>	<b>-2,820</b>	<b>+301</b>

**ATHENAHEALTH, INC. (cont.)**

**Summary Balance Sheet as of March 31, 2002: (\$000)**

Cash	\$ 14,125	Accounts Payable	\$ 608
Accounts Receivable	1,035	Accrued Expenses	975
Other Current Assets	<u>514</u>	Other Current Liabilities	<u>362</u>
Total Current Assets	15,674	Total Current Liabilities	1,945
Net PP&E	3,065	Long Term Debt - Lease line	3,323
Intangibles (Net)	0	Shareholders Equity	43,332
Other Assets	<u>1,644</u>	Retained Earnings	<u>-28,217</u>
Total Assets	<u>\$20,383</u>	Total Liabilities & Equity	<u>\$20,383</u>

**Comments:**

The company has more than adequate capital to support operations at the current burn through 2003. Cash burn for the quarter was 9% ahead of plan. Management continues to expect to be cash flow breakeven by November 2002, with a remaining cash balance exceeding \$10 million.

**CHP II, L.P. Holdings:**

Series D Convertible Preferred Stock	1,623,377 shares
Assigned Fair Value	\$5,000,001
Investment Cost	\$5,000,001
Cost per Share	\$3.08

% Ownership (Full Dilution)	6.2%
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Company Valuation at Cardinal Cost	\$81.3 million
Company Valuation at Assigned Fair Value	\$81.3 million

**Outlook:**

We remain very enthusiastic about the prospects for Athena.

**INTELLICARE AMERICA, INC.**  
**South Portland, ME**  
*{www.intellicare.com}*

**Integrated Telecommunications, Web and Data Networks for Patient Management**

Period Summary: 1st Quarter 2002

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Overall company performance for the quarter was positive. The company was ahead of plan in terms of gross margin and income. The annual revenue run rate is currently \$8 million, a growth of 25% over last quarter and will likely exceed \$10 million by the end of Q2. As the quarter came to a close, management agreed to terms on a \$10 million second round financing to be led by Canaan Partners.

Financial performance continues to trend favorably. While the company missed its revenue plan by 6% as a result of a weak sales month in February, the pipeline looks solid and sales momentum was building entering April. Management continues to do a good job keeping costs in line with revenue growth and the company has ended the quarter 18% ahead of its income plan.

At the end of the quarter, the company agreed to terms for a \$10 million second round financing to be led by Canaan Partners. The current investors have committed \$2.2 million to the round, with CHP II contributing \$1 million. The financing stipulates a \$10 million pre-money valuation, 40% below our current carrying value. While this valuation is disappointing, given the difficult capital markets for early stage companies, we are encouraged that the company has been able to attract interest from a high caliber institutional investor. The financing is expected to close in the later half of Q2 2002.

During the quarter, CHP II invested \$370K against the \$2 million bridge financing agreed to by the current investors last December. Total funds drawn to-date by the company equal \$800K. The investment is in the form of an 8% secured convertible demand note with warrants. These notes will be converted into the next financing round at closing.

## INTELLICARE AMERICA (cont.)

### **FINANCIAL RESULTS: (\$000)**

Overview: (FYE 12/31)

	<i>2000 Actual</i>	<i>2001 Actual</i>	<i>2002 Budget</i>
Revenues	3,807	5,483	9,967
Cost of Revenues	4,329	6,593	8,365
SG&A	1,987	3,159	4,785
EBIT	-2,509	-4,269	-3,183
Interest and Taxes	23	60	-50
<b>Net Income</b>	<b>-2,486</b>	<b>-4,209</b>	<b>-3,233</b>

Last Three Months: Quarter Ended March 31, 2002

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	1,900	2,013	-113
Cost of Revenues	1,779	1,970	+191
SG&A	1,019	1,165	+146
EBIT	-898	-1,122	+224
Interest and Taxes	-32	-19	-13
<b>Net Income</b>	<b>-930</b>	<b>-1,141</b>	<b>+211</b>

Fiscal Year-to-Date: Three Months Ended March 31, 2002

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	1,900	2,013	-113
Cost of Revenues	1,779	1,970	+191
SG&A	1,019	1,165	+146
EBIT	-898	-1,122	+224
Interest and Taxes	-32	-19	-13
<b>Net Income</b>	<b>-930</b>	<b>-1,141</b>	<b>+211</b>

## INTELLICARE AMERICA (cont.)

### Summary Balance Sheet as of March 31, 2002: (\$000)

Cash	\$ 617	Accounts Payable	\$ 731
Accounts Receivable	839	Accrued Expenses	409
Other Current Assets	<u>113</u>	Other Current Liabilities	<u>391</u>
Total Current Assets	1,569	Total Current Liabilities	1,531
Net PP&E	1,090	Long Term Liabilities	1,796
Intangibles (Net)	0	Shareholders Equity	8,697
Other Assets	<u>168</u>	Retained Earnings	<u>-9,197</u>
Total Assets	<u>\$ 2,827</u>	Total Liabilities & Equity	<u>\$ 2,827</u>

### Comments:

The current investors are bridging the company to the close of a second round financing that is expected to close in Q2 2002. The financing is expected to raise \$10 million, which will be sufficient to support operations to break even in the latter half of 2003.

### CHP II, L.P. Holdings:

Series B Convertible Preferred Stock	3,000,000 shares
Assigned Fair Value	\$3,000,000
Investment Cost	\$3,000,000
Cost per Share	\$1.00
8% Secured Convertible Promissory Note	\$370,000
% Ownership (Full Dilution)	17.2%
Company Valuation at Cardinal Cost	\$17.4 million
Company Valuation at Assigned Fair Value	\$17.4 million

### Outlook:

Notwithstanding the low valuation now anticipated on the second round financing, we remain optimistic about the prospects for our investment in IntelliCare.

**iPHYSICIANNET, INC.**  
**Scottsdale, AZ**  
**{www.ipni.com}**

**eDetailing ASP Linking Pharmaceutical Companies and Physicians**

Period Summary: 1st Quarter 2002

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For the quarter, iPhysicianNet (IPNI) exhibited solid positive progress. The company's financial performance continued to improve with both revenue and net loss showing a favorable variance to budget. The company completed an \$11 million financing and reached an agreement to terminate its onerous revenue sharing arrangement with equipment vendor Hitachi.

Revenues for the fourth quarter were \$4.3 million, 6% ahead of plan, and continue to trend positively with a 63% higher run rate than last quarter. Cost of Sales had an 18% favorable variance to budget, as a result of the termination of the Hitachi agreement. Operating expenses were 10% (\$201k) over budget due to costs related to development work done to enhance the physician network. Net Loss was almost 20% ahead of plan.

In February, the company completed an \$11 million insider led financing. The financing was in the form of a Series G preferred stock priced at \$2.00 per share, with one common stock warrant (exercise price \$0.01) received for each dollar invested. CHP II invested \$757,897 representing our prorata share of this financing. One half of the financing was put into escrow to be released contingent upon the achievement of specific performance milestones by June 30, 2002. These include, a net increase of three (3) in the number of pharmaceutical clients that have moved into Phase 2 taking a minimum of 5,000 physicians, the total number of pharmaceutical clients utilizing the IPNI video detailing service increasing from nine to ten and cash disbursements not exceeding those in the approved operating budget. Management is confident of achieving these milestones.

The company currently has 8,321 signed physician agreements and 7,032 installed physicians. The goal is 12,300 installed physicians by year-end. The company has received target physician lists from Aventis, AstraZeneca, Lilly, Novartis, Merck and Glaxo SmithKline. These lists have been aggregated to produce a "consensus target list" of approximately 36,000 physicians to lead the physician recruiting effort this year.

As the quarter ended, management has successfully negotiated a settlement with Hitachi. In summary, IPNI purchases the 6,200 units originally subject to revenue sharing for a \$9.6 million note. The agreement will produce a \$4 million cash flow savings in 2002 and greatly improve operating margins going forward, but it will likely produce a negative P&L impact for 2002 reflecting a one-time charge related to asset valuation. Management is currently working with a new equipment vendor on attaining financing for the acquisition of the 5,000 units needed for the remainder of 2002. Obtaining affordable equipment financing is management's highest priority as the quarter ends.

**iPHYSICIANNET (cont.)**

**FINANCIAL RESULTS: (\$000)**

Overview: (FYE 12/31)

	<i>2000 Actual</i>	<i>2001 Preliminary*</i>	<i>2002 Budget**</i>
Revenues	1,635	10,276	29,555
Operating Expenses	22,135	30,838	35,431
SG&A	7,647	9,236	7,566
EBIT	-28,147	-29,798	-13,442
Interest and Taxes	95	363	-104
<b>Net Income (Loss)</b>	<b>-28,052</b>	<b>-29,435</b>	<b>-13,546</b>

\* - Subject to Audit

Last Three Months: Quarter Ended March 31, 2002

	<i>Actual</i>	<i>Budget**</i>	<i>Variance</i>
Revenues	4,337	4,089	+248
Cost of Sales	5,894	7,208	+1,314
SG&A	2,180	1,979	-201
EBIT	-3,737	-5,098	+1,361
Interest and Taxes	-324	-26	-298
<b>Net Income (Loss)</b>	<b>-4,061</b>	<b>-5,124</b>	<b>+1,063</b>

Fiscal Year-to-Date: Three Months Ended March 31, 2002

	<i>Actual</i>	<i>Budget**</i>	<i>Variance</i>
Revenues	4,337	4,089	+248
Cost of Sales	5,894	7,208	+1,314
SG&A	2,180	1,979	-201
EBIT	-3,737	-5,098	+1,361
Interest and Taxes	-324	-26	-298
<b>Net Income (Loss)</b>	<b>-4,061</b>	<b>-5,124</b>	<b>+1,063</b>

\*\* - Budget approved February 2002

## **iPHYSICIANNET (cont.)**

### **Summary Balance Sheet as of March 31, 2002: (\$000)**

Cash	\$ 5,340	Accounts Payable	\$ 1,638
Accounts Receivable	1,554	Accrued Expenses	2,483
Other Current Assets	<u>970</u>	Deferred Revenue	<u>8,778</u>
Total Current Assets	7,864	Total Current Liabilities	12,899
Net PP&E	4,896	Long Term Debt	12,307
Intangibles (Net)	19	Shareholders Equity	73,838
Other Assets	<u>1,200</u>	Retained Earnings	<u>-85,065</u>
Total Assets	<u>\$13,979</u>	Total Liabilities & Equity	<u>\$13,979</u>

#### Comments:

Operating cash flow for the quarter was \$3.4 million ahead of plan for the quarter. The balance sheet does not reflect the \$5.6 million held in escrow from the February financing. Obtaining equipment financing is management's highest priority.

#### CHP II, L.P. Holdings:

Series E Convertible Preferred Stock	1,250,000 shares
Common Stock Equivalents	5,000,000 shares
Investment Cost	\$5,000,000
Cost per Common Stock Equivalent	\$1.00
Series G Convertible Preferred Stock	378,948 shares
Investment Cost	\$757,897
Cost Per Share	\$2.00
Common Stock Warrant (Series G Warrant Shares)	757,896 shares
Exercise Price per Share	\$0.01
% Ownership (Full Dilution)	6.1%
Company Valuation at Cardinal Cost	\$94.4 million
Company Valuation at Assigned Fair Value	\$94.4 million

#### Outlook:

With performance improving, we are more optimistic about the prospects for IPNI.



**MOLECULAR MINING CORPORATION**  
**Kingston, Ontario**  
*{www.molecularmining.com}*

**Software Tools for Genomics Research**

Period Summary: 1st Quarter 2002

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Financial results for Q1 2002 were behind plan in revenues, but ahead of plan on net income and cash burn. Software revenues were 30% below forecast for the quarter; however the company sold 13 licenses for its lead product GeneLinkerGold™ in March to meet its North America sales plan for the quarter. Sales in Europe and Asia were well off plan primarily due to the lack of distribution channel and OEM relationships in those regions. The company has agreed to a working relationship with IBM Canada that includes bundling Molecular Mining GeneLinker software within the IBM Life Sciences component software products package and some co-marketing arrangements. OEM discussions continue with a number of other parties, but progress has been slow.

Revenue generating collaborations have also lagged plan due to longer than anticipated sales cycles. Momentum has picked up at the end of the quarter with several formal proposals and work plans under discussion or negotiation. The company is in final contract negotiations with three pharmaceutical clients for deals totaling \$350K. Management expects these deals to close in the coming quarter. While the breadth of the sales pipeline for collaborations has improved over the last six months, the company still needs to demonstrate the ability to move proposals to closure. In April, the company relocated its sales and business development staff to Cambridge, MA in order to better facilitate the sales effort.

Management has continued to keep expenses in line with the development of its sales channels. Expenses are lower than plan primarily from lower headcount and reduced consulting expenses. Financial performance for the quarter was ahead of plan in terms of net income and cash flow.

As the quarter ended, the investors have begun a concerted effort to explore strategic relationships with other bioinformatics companies.

**MOLECULAR MINING CORPORATION (cont.)**

**FINANCIAL RESULTS: (\$000)**

Overview: (FYE 12/31)

	<i>2000 Actual</i>	<i>2001 Actual</i>	<i>2002 Budget</i>
Revenues	39	131	3,506
Cost of Sales	0	20	0
Operating Expenses	1,516	3,261	5,544
EBIT	-1,477	-3,150	-2,038
Interest and Taxes	93	211	137
<b>Net Income</b>	<b>-1,384</b>	<b>-2,939</b>	<b>-1,901</b>

Last Three Months: Quarter Ended March 31, 2002

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	62	92	-30
Cost of Sales	0	0	0
Operating Expenses	888	1,079	+191
EBIT	-826	-987	+161
Interest and Taxes	19	49	-30
<b>Net Income</b>	<b>-807</b>	<b>-938</b>	<b>+131</b>

Fiscal Year-to-Date: Three Months Ended March 31, 2002

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	62	92	-30
Cost of Sales	0	0	0
Operating Expenses	888	1,079	+191
EBIT	-826	-987	+161
Interest and Taxes	19	49	-30
<b>Net Income</b>	<b>-807</b>	<b>-938</b>	<b>+131</b>

## MOLECULAR MINING CORPORATION (cont.)

### Summary Balance Sheet as of March 31, 2002: (\$000)

Cash	\$ 4,124	Accounts Payable	\$ 46
Accounts Receivable	191	Accrued Expenses	30
Prepaid Expenses	<u>58</u>	Notes Payable	<u>0</u>
Total Current Assets	4,373	Total Current Liabilities	76
Net PP&E	213	Long Term Debt	0
Intangibles (net)	182	Shareholders Equity	9,919
Other Assets	<u>0</u>	Retained Earnings	<u>-5,227</u>
Total Assets	<u>\$ 4,768</u>	Total Liabilities & Equity	<u>\$ 4,768</u>

### Comments:

Cash burn has remained low as the company slowly builds its infrastructure. With the financing closed in May 2001, Molecular Mining has adequate capital to support operations through the first quarter of 2003.

### CHP II Holdings:

Series B Convertible Preferred Stock	737,422 shares
Assigned Fair Value (cost)	\$1,509,060
Investment Cost	\$1,509,060
Cost per Share	\$2.05
% Ownership (Full Dilution)	8.2%
Company Valuation at Cardinal Cost	\$18.0 million
Company Valuation at Assigned Fair Value	\$18.0 million

### Outlook:

We are cautiously optimistic about the prospects for Molecular Mining.

**PARKSTONE MEDICAL INFORMATION SYSTEMS, INC.**

**Weston, FL**

**{*www.parkstonemed.com*}**

**Handheld Formulary, Referral and Billing Management Tool for Physicians**

Period Summary: 1st Quarter 2002

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In October of 2001, the sale of ParkStone's assets to the RX-Connect subsidiary of PacificCare Health Systems was completed as part of the Chapter 11 bankruptcy proceeding. A total of \$1.5 million in cash was received from the sale of the assets. After covering legal expenses and other liabilities, there remained \$1.36 million for distribution to the secured creditors. In late October, the Court allowed a distribution of \$360K to the secured creditors, of which CHP II received \$113,583. We accordingly reduced the carrying value of our investment by the amount received from \$250,000 to \$136,417 and reduced the cost basis for our secured note by the same amount.

The Court will hold the remaining funds in escrow until all claims by the unsecured creditors are adjudicated. Our counsel is working with the creditor committee to address their issues and reach a settlement. This process is taking longer than anticipated and we now expect a second distribution for the secured creditors of approximately \$750K to occur in the summer of 2002. CHP II will receive 32.31% of any future distribution to the secured creditors.

In addition to the funds received from the sale of the assets, the bankruptcy trustee intends to prosecute preference actions against certain of the company's vendors that could produce additional cash to distribute to the secured creditors. However, the likelihood of a recovery substantial enough to provide any return to the equity holders is highly unlikely.

CHP II, L.P. Holdings:

10.0% Secured Convertible Promissory Note	\$2,461,692
Assigned Fair Value	\$136,417
Percentage of Total Secured Interest	32.31%

**RIB-X PHARMACEUTICALS, INC.**  
**New Haven, CT**  
**{*www.rib-x.com*}**

**Structure-Based Design of Anti-Infective Agents**

Period Summary: 1st Quarter 2002

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Subsequent to the closing of the financing in December 2001, the Rib-X team has been focused on its recruiting efforts and the building of its infrastructure. At the end of the quarter, the company has 17 employees, in line with its original staffing plan. The recruitment of a Chief Financial Officer is expected in June, with additional support staff to follow upon the opening of the new offices in July. The staffing requirements for the biochemistry and preclinical development teams are nearing completion, with 8 chemists currently working in temporary lab space. Management is now most keenly focused on filling the Vice President of Chemistry slot to lead the company's synthetic chemistry and structure based design initiatives.

In January, Rib-X completed a leasing agreement for 26,000 sq. ft. at the George Street Technology Center in downtown New Haven across from the Yale Medical School. The build-out of a Lab/Office facility has commenced and is expected to be complete in the first week of July. The company has negotiated a \$3.1 million facilities loan from Connecticut Innovations to fund the build-out, which should close in May. The closing of this facilities loan also should trigger the completion of an equipment leasing facility from GE Capital. By the end of this summer, Rib-X should be fully operational in its new facility.

Dr. David London, an Organizational Development Consultant has been working with Rib-X CEO Susan Froshauer to ensure the building of an effective corporate structure. At the end of the quarter, the company also completed an independent analysis of the antibiotic market that supports the initial Rib-X product development profiles. Overall, the company is making good progress at this early stage.

**RIB-X PHARMACEUTICALS, INC. (cont.)**

**FINANCIAL RESULTS: (\$000)**

Overview: (FYE 12/31)

	<i>2001 Actual</i>	<i>2002 Budget</i>
Revenues	0	2,831
R&D Expenses	593	4,130
Operating Expenses	828	3,073
EBIT	-1,421	-4,372
Interest and Taxes	-11	0
<b>Net Income</b>	<b>-1,432</b>	<b>-4,372</b>

Last Three Months: Quarter Ended March 31, 2002

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	0	0	0
R&D Expenses	642	760	+118
Operating Expenses	864	565	-299
EBIT	-1,506	-1,325	-181
Interest and Taxes	27	0	+27
<b>Net Income</b>	<b>-1,479</b>	<b>-1,325</b>	<b>-154</b>

Fiscal Year-to-Date: Three Months Ended March 31, 2002

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	0	0	0
R&D Expenses	642	760	+118
Operating Expenses	864	565	-299
EBIT	-1,506	-1,325	-181
Interest and Taxes	27	0	+27
<b>Net Income</b>	<b>-1,479</b>	<b>-1,325</b>	<b>-154</b>

## RIB-X PHARMACEUTICALS, INC. (cont.)

### Summary Balance Sheet as of March 31, 2002: (\$000)

Cash	\$ 6,126	Accounts Payable	\$ 390
Accounts Receivable	0	Accrued Expenses	527
Prepaid Expenses	<u>10</u>	Notes Payable	<u>0</u>
Total Current Assets	6,136	Total Current Liabilities	917
Net PP&E	1,230	Long Term Debt	0
Intangibles (net)	0	Shareholders Equity	9.446
Other Assets	<u>35</u>	Retained Earnings	<u>-2,942</u>
Total Assets	<u>\$ 7,401</u>	Total Liabilities & Equity	<u>\$ 7,401</u>

### Comments:

The facility build out has exacerbated cash burn for the first three months of 2002 as Rib-X prepares its permanent facilities for occupation this summer. With the \$12.5 million second closing of the Series A financing due later this year, the company has adequate financial resources to operate into 2004.

### CHP II Holdings:

Series A Convertible Preferred Stock	1,817,741 shares
Assigned Fair Value (cost)	\$1,125,000
Investment Cost	\$1,125,000
Cost per Share	\$0.6189
% Ownership (Full Dilution)	7.07%
Company Valuation at Cardinal Cost	\$15.9 million
Company Valuation at Assigned Fair Value	\$15.9 million

### Outlook:

At this very early stage, Rib-X is building momentum and we are excited by its prospects.