

CHP II, L.P.
QUARTERLY REPORT
1st QUARTER, 2003

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CHP II, L.P.
QUARTERLY REPORT
1st QUARTER, 2003
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TO: The Limited Partners
FROM: John K. Clarke
DATE: June 23, 2003
SUBJECT: Activity for the Quarter Ended March 31, 2003

During the quarter, CHP II completed its eleventh investment, a \$2.5 million funding of Replication Medical. Activity in the current portfolio continued to show solid advancement, tempered by the disappointing events at Molecular Mining and some technical issues Cardio-Optics. Following are short summaries of activity for the quarter in each of our portfolio companies.

Alnylam Pharmaceuticals – Alnylam continued to make good organizational and scientific progress. Highlights for the quarter include the recruitment of key management and scientific talent, further development of the initial scientific programs, initiation of corporate partnering discussions and the strengthening of its intellectual property portfolio.

AthenaHealth – The first quarter was one of record sales and across the board solid financial performance for Athena. Revenues were over \$5 million, increasing 18% from the prior quarter and producing a 41% improvement in gross margin. Sales growth continues to look strong and management now predicts lower monthly cash burns for the remainder of the year until achieving breakeven in Q4. We remain very hopeful that 2003 is the breakout year for Athena.

CardioOptics – Inconsistent results from second phase animal testing in February and March have caused the company to delay its FDA submission the technical issues that are the root cause of the problem are solved. Management has scaled back operations and is completely focused on resolution of these issues. Cash burn has been reduced substantially until it is clear that consistent results can be obtained.

IntelliCare America – The quarter was highlighted by record implementations and generally on plan financial performance. Nearly \$5 million in new annual revenue was installed during the quarter. Intellicare is well capitalized and remains on a clear path to profitability by yearend.

iPhysicianNet (IPNI) – With the loss of one client and two other clients substantially reducing their 2003 commitments due to internal budgetary cutbacks, Q4 02 has proven to be one of retrenchment at IPNI. While the company maintains the clear leadership position in the market, the company now will require further financing in 2003. Under these circumstances, we have reduced the carrying value for our investment by 50% to more accurately reflect the current value of the company.

Mobile Medical – Highlights for this quarter include excellent financial results and the final stages of the CEO recruiting effort. As the quarter ended, the company had two viable CEO candidates in the last stages of discussions with the Board. We expect that an offer will be made in the coming weeks, with the new CEO on board by the end of Q2.

Molecular Mining – Sales of the company’s software products continued to be disappointing, with no sign of a significant ramping. In reaction, management proposed a revised 2003 budget with a reduced cash burn plan and lower sales forecast that could only support operations for nine months. Without confidence in management’s sales forecast, or any viable financing/merger alternative, the Board voted in March to initiate an orderly liquidation of the company’s assets. Under these circumstances, we have reduced the carrying value for our investment to expected liquidation value.

Momenta – Overall progress and prospects at Momenta remain excellent. Initial meetings with the FDA are scheduled for April. Corporate partnering discussions are ongoing, with management expecting to have a deal completed by mid-summer. The company is in late stage discussions with some prominent venture capital firms and we expect a second round financing will be completed in Q2.

Rib-X Pharmaceuticals – As the quarter ended, the company had agreed to terms for a \$62.5 million second round financing to be led by Warburg Pincus, valued on par with the first round financing from December 2001. In addition, the company filled its senior Drug Discovery position and the scientific team continued to make positive progress toward the nomination of a lead compound for clinical development.

Included in this report are financial statements for the period, a portfolio valuation memo, an investment memorandum for Replication Medical, an update on each of our other portfolio companies and a summary deal activity report.

Deal Flow:

During the quarter, we have reviewed 108 business proposals. Current “A” deals include First Circle Medical, MDG Medical, Vista Medical Technologies and Xlipstream. An alphabetical list of all deals received with a brief business description, deal source and current status is included in the Appendix to this report.

Financial Results:

During the quarter, CHP II completed one capital call totaling \$2.5 million. Utilization of these funds was the \$2.5 million investment in Replication Medical. Cash on hand at the end of the period totaled \$269K. Cumulative capital contributions stand at \$48.1 million or 41% of total commitments. Net loss for the quarter was \$1.4 million, consisting of \$735K in net operating expenses and \$655K in net unrealized loss due to the markdown on Molecular Mining.

Looking forward:

Brandon, Lisa, John, Geoff and I continue to work diligently to build value in the portfolio and appreciate your input and support.

CHP II, L.P.
Income Statement
For the Period Ended March 31, 2003

	Three Months Ended 03/31/03
Revenue:	
Non Portfolio Income	\$1,277
Interest-Equivalent Amounts	0
Expenses:	
Management Fee	734,217
Professional Fees	5,544
NVCA Dues & Expenses	0
Amortization of Organization Costs	0
Miscellaneous Expenses	0
Total Expenses	739,761
Net Operating Expense	(738,484)
Investment Income	3,826
Net Income Before Gains (Losses)	(734,658)
Realized Gains (Losses)	0
Unrealized Gains (Losses)	(654,530)
Net Income (Loss)	(\$1,389,188)

CHP II, L.P.
Balance Sheet
As of March 31, 2003

ASSETS:	Period Ended 03/31/03	Period Ended 12/31/02
Cash and Short-Term Investments	\$269,978	\$1,014,794
Accrued Interest	26,443	22,617
Venture Capital Investments	27,193,534	25,348,064
Organization Costs (Net of Accum. Amortization)	0	0
Other Assets	<u>228,251</u>	<u>216,375</u>
	<u>\$27,718,206</u>	<u>\$26,601,850</u>
 LIABILITIES & CAPITAL:		
Accrued Expenses and Payables	\$23,544	\$18,000
Partners' Accounts	<u>27,694,662</u>	<u>26,583,850</u>
Total Liabilities and Capital	<u>\$27,718,206</u>	<u>\$26,601,850</u>

CHP II, L.P.
Footnotes
As of March 31, 2003

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

Note 3 – General Partner Promissory Notes	<u>03/31/03</u>	<u>12/31/02</u>
GP Promissory Note Principal	\$228,251	\$216,375
Offset against Partners' Capital	<u>0</u>	<u>0</u>
Total	<u><u>\$228,251</u></u>	<u><u>\$216,375</u></u>

Note 4 – Accrued Expenses	<u>03/31/03</u>	<u>12/31/02</u>
Professional Fees	\$23,544	\$18,000
NVCA Dues & Annual Meeting	0	0
Accrued Management Fees	<u>0</u>	<u>0</u>
Total	<u><u>\$23,544</u></u>	<u><u>\$18,000</u></u>

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

	Three Months Ended 03/31/02
Cash flows from operating activities	
Net Income Before Gains (Losses)	(\$734,658)
Adjustments to reconcile net income before gains (losses) to net cash used in operating activities:	
Accrued Interest Receivable	(3,826)
Net Organization Costs	0
Other Assets	0
Accrued Expenses & Payables	5,544
	<hr/>
Net Cash used in Operating Activities	(732,940)
Cash flows from investing activities	
Purchases of venture capital investments	(2,500,000)
Sales of venture capital investments	0
	<hr/>
Net cash used in investing activities	(2,500,000)
Cash flows from financing activities	
Cash contributions by partners	2,488,124
Cash distribution to partners	0
	<hr/>
Net cash provided by financing activities	2,488,124
 Net Change in Cash and Short Term Investments	 (744,816)
Cash and Short Term Investments, beginning	1,014,794
Cash and Short Term Investments, ending	<hr/> <hr/>

CHP II, L.P.
Schedule of Venture Capital Investments
As of March 31, 2003

Company	Debt	Equity	Total Cost	Fair Value	Unrealized Gain (Loss)
Alnylam Pharmaceuticals	\$0	\$4,250,000	\$4,250,000	\$5,750,000	\$1,500,000
AthenaHealth, Inc.	0	5,000,001	5,000,001	5,000,001	0
Cardio-Optics, Inc.	0	2,000,000	2,000,000	2,000,000	0
IntelliCare America, Inc.	0	4,000,000	4,000,000	2,464,585	(1,535,415)
iPhysician Net, Inc.	0	5,757,897	5,757,897	2,878,948	(2,878,949)
Mobile Medical Industries	0	2,500,000	2,500,000	2,500,000	0
Molecular Mining Corp.	0	1,509,060	1,509,060	100,000	(1,409,060)
Momenta Pharmaceuticals, Inc.	0	1,000,000	1,000,000	1,000,000	0
Replication Medical	0	2,500,000	2,500,000	2,500,000	0
Rib-X Pharmaceuticals	0	3,000,000	3,000,000	3,000,000	0
Totals	\$0	\$31,516,958	\$31,516,958	\$27,193,534	(\$4,323,424)

CHP II, L.P.
Statement of Partners' Contributions Accounts
As of March 31, 2003

	Partners' Total Subscription	Contributions Account 12/31/02	Period Contribution in Cash	Period Contribution by Note	Contributions Account 03/31/03	Partners' Outstanding Subscription
<u>Limited Partners</u>						
State Teachers Ret. System of Ohio	\$30,000,000	\$11,633,117	\$638,436	\$0	\$12,271,553	\$17,728,447
Nassau Capital Funds	10,000,000	3,877,706	212,812	0	4,090,518	5,909,482
Robert Wood Johnson Foundation	10,000,000	3,877,706	212,812	0	4,090,518	5,909,482
Northwestern University	10,000,000	3,877,706	212,812	0	4,090,518	5,909,482
LACERA	10,000,000	3,877,706	212,812	0	4,090,518	5,909,482
Textron Master Trust	10,000,000	3,877,706	212,812	0	4,090,518	5,909,482
Wachovia Investors, Inc. (First Union)	7,500,000	2,908,280	159,609	0	3,067,889	4,432,111
Pension Commissioners of City of LA	5,000,000	1,938,854	106,406	0	2,045,260	2,954,740
Princess Private Equity	5,000,000	1,938,854	106,406	0	2,045,260	2,954,740
Hillside Capital Incorporated	3,500,000	1,357,195	74,484	0	1,431,679	2,068,321
Hamilton Lane-Carpenters Fund	3,000,000	1,163,311	63,844	0	1,227,155	1,772,845
UNISYS Master Trust	3,000,000	1,163,311	63,484	0	1,227,155	1,772,845
Venture Investment Associates III, L.P.	2,300,000	891,871	48,947	0	940,818	1,359,182
Fleet Growth Resources (Summit)	2,000,000	775,543	42,561	0	818,104	1,181,896
S.R. One Limited	2,000,000	775,543	42,561	0	818,104	1,181,896
Pharma BioDevelopment, Inc.	2,000,000	775,543	42,561	0	818,104	1,181,896
Private Equity Holdings II, Ltd.	1,000,000	387,770	21,281	0	409,051	590,949
	\$116,300,000	\$45,097,722	\$2,475,000	\$0	\$47,572,722	\$68,727,278
<u>General Partner</u>						
CHP II Management, LLC.	1,174,747	455,533	13,124	11,876	480,533	694,214
Total Partnership	\$117,474,747	\$45,553,255	\$2,488,124	\$11,876	\$48,053,255	\$69,421,492

CHP II, L.P.
Statement of Partners' Distributive Share of Net Assets
For the Period Ended March 31, 2003

	Private Securities	Public Securities	Cash	Other Assets	Total Assets	Accrued Expenses	Net Assets 03/31/03
<u>Limited Partners</u>							
State Teachers Ret. System of Ohio	\$6,944,522	\$0	\$68,945	\$65,042	\$7,078,509	(\$6,013)	\$7,072,496
Nassau Capital Funds	2,314,843	0	22,982	21,681	2,359,506	(2,005)	2,357,501
Robert Wood Johnson Foundation	2,314,843	0	22,982	21,681	2,359,506	(2,005)	2,357,501
Northwestern University	2,314,843	0	22,982	21,681	2,359,506	(2,005)	2,357,501
LACERA	2,314,843	0	22,982	21,681	2,359,506	(2,005)	2,357,501
Textron Master Trust	2,314,843	0	22,982	21,681	2,359,506	(2,005)	2,357,501
Wachovia Investors, Inc. (First Union)	1,736,131	0	17,236	16,261	1,769,628	(1,503)	1,768,125
Pension Commissioners of City of LA	1,157,420	0	11,491	10,840	1,179,751	(1,002)	1,178,749
Princess Private Equity	1,157,420	0	11,491	10,840	1,179,751	(1,002)	1,178,749
Hillside Capital Incorporated	810,191	0	8,044	7,588	825,823	(701)	825,122
Hamilton Lane-Carpenters Fund	694,451	0	6,894	6,504	707,849	(601)	707,248
UNISYS Master Trust	694,451	0	6,894	6,504	707,849	(601)	707,248
Venture Investment Associates III, L.P.	532,412	0	5,285	4,987	542,684	(461)	542,223
Fleet Growth Resources (Summit)	462,968	0	4,596	4,336	471,900	(400)	471,500
S.R. One Limited	462,968	0	4,596	4,336	471,900	(400)	471,500
Pharma BioDevelopment, Inc.	462,968	0	4,596	4,336	471,900	(400)	471,500
Private Equity Holdings II, Ltd.	231,482	0	2,298	2,168	235,948	(200)	235,748
	\$26,921,599	\$0	\$267,276	\$252,147	\$27,441,022	(\$23,309)	\$27,417,713
<u>General Partner</u>							
CHP II Management, LLC.	271,935	0	2,702	2,547	277,184	(235)	276,949
Total Partnership	\$27,193,534	\$0	\$269,978	\$254,694	\$27,718,206	(\$23,544)	\$27,694,662

CHP II, L.P.
Statement of Partners' Capital Accounts *
For the Three Months Ended March 31, 2003

<u>Limited Partner</u>	Partners' Capital 01/01/03	Net Capital Contribution	Non-Portfolio Income	Net Investment Income	Realized Gains (Losses)	Total Income	Unrealized Gains (Losses)	Distributions	Partners' Capital 03/31/03
State Teachers Ret. System of Ohio	\$6,788,824	\$638,436	\$326	(\$187,940)	\$0	(\$187,614)	(\$167,150)	\$0	\$7,072,496
Nassau Capital Funds	2,262,943	212,812	109	(62,646)	0	(62,537)	(55,717)	0	2,357,501
Robert Wood Johnson Foundation	2,262,943	212,812	109	(62,646)	0	(62,537)	(55,717)	0	2,357,501
Northwestern University	2,262,943	212,812	109	(62,646)	0	(62,537)	(55,717)	0	2,357,501
Textron Master Trust	2,262,943	212,812	109	(62,646)	0	(62,537)	(55,717)	0	2,357,501
LACERA	2,262,943	212,812	109	(62,646)	0	(62,537)	(55,717)	0	2,357,501
Wachovia Investors (First Union)	1,697,206	159,609	82	(46,985)	0	(46,903)	(41,787)	0	1,768,125
Pension Commissioners-City of LA	1,131,470	106,406	54	(31,323)	0	(31,269)	(27,858)	0	1,178,749
Princess Private Equity	1,131,470	106,406	54	(31,323)	0	(31,269)	(27,858)	0	1,178,749
Hillside Capital Incorporated	792,027	74,484	38	(21,926)	0	(21,888)	(19,501)	0	825,122
Hamilton Lane-Carpenters Fund	678,880	63,844	33	(18,794)	0	(18,761)	(16,715)	0	707,248
UNISYS Master Trust	678,880	63,844	33	(18,794)	0	(18,761)	(16,715)	0	707,248
Venture Investment Associates III	520,475	48,947	25	(14,409)	0	(14,384)	(12,815)	0	542,223
Fleet Growth Resources	452,590	42,561	21	(12,529)	0	(12,508)	(11,143)	0	471,500
S. R. One Limited	452,590	42,561	21	(12,529)	0	(12,508)	(11,143)	0	471,500
Pharma BioDevelopment, Inc.	452,590	42,561	21	(12,529)	0	(12,508)	(11,143)	0	471,500
Private Equity Holdings II, Ltd.	226,293	21,281	11	(6,265)	0	(6,254)	(5,572)	0	235,748
	\$26,318,010	\$2,475,000	\$1,264	(\$728,576)	\$0	(\$727,312)	(\$647,985)	\$0	\$27,417,713
<u>General Partner</u>									
CHP II Management, LLC.	49,465	13,124	13	(7,359)		(67,346)	(6,545)	0	48,698
Total Partnership	\$26,367,475	\$2,488,124	\$1,277	(\$735,935)	\$0	(\$734,658)	(\$654,530)	\$0	\$27,466,411

* - 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, 2003

	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	\$12,271,553	\$15,163	(\$2,260,512)	(\$1,849,618)	(\$4,094,967)	(\$1,104,090)	\$0	\$7,072,496
Nassau Capital Funds	4,090,518	5,056	(753,503)	(616,540)	(1,364,987)	(368,030)	0	2,357,501
Robert Wood Johnson Foundation	4,090,518	5,056	(753,503)	(616,540)	(1,364,987)	(368,030)	0	2,357,501
Northwestern University	4,090,518	5,056	(753,503)	(616,540)	(1,364,987)	(368,030)	0	2,357,501
LACERA	4,090,518	5,056	(753,503)	(616,540)	(1,364,987)	(368,030)	0	2,357,501
Textron Master Trust	4,090,518	5,056	(753,503)	(616,540)	(1,364,987)	(368,030)	0	2,357,501
Wachovia Investors, Inc. (First Union)	3,067,889	3,792	(565,128)	(462,405)	(1,023,741)	(276,023)	0	1,768,125
Pension Commissioners of City of LA	2,045,260	2,526	(376,752)	(308,271)	(682,497)	(184,014)	0	1,178,749
Princess Private Equity	2,045,260	2,526	(376,752)	(308,271)	(682,497)	(184,014)	0	1,178,749
Hillside Capital Incorporated	1,431,679	1,768	(263,726)	(215,789)	(477,747)	(128,810)	0	825,122
Hamilton Lane-Carpenters Fund	1,227,155	1,517	(226,052)	(184,962)	(409,497)	(110,410)	0	707,248
UNISYS Master Trust	1,227,155	1,517	(226,052)	(184,962)	(409,497)	(110,410)	0	707,248
Venture Investment Associates III	940,818	1,163	(173,307)	(141,804)	(313,948)	(84,647)	0	542,223
Fleet Growth Resources (Summit)	818,104	1,010	(150,700)	(123,308)	(272,998)	(73,606)	0	471,500
S.R. One Limited	818,104	1,010	(150,700)	(123,308)	(272,998)	(73,606)	0	471,500
Pharma BioDevelopment, Inc.	818,104	1,010	(150,700)	(123,308)	(272,998)	(73,606)	0	471,500
Private Equity Holdings II, Ltd.	409,051	506	(75,351)	(61,654)	(136,499)	(36,804)	0	235,748
<u>General Partner</u>								
CHP II Management, LLC.	\$47,572,722	\$58,788	(\$8,763,247)	(\$7,170,360)	(\$15,874,819)	(\$4,280,190)	\$0	\$27,417,713
Total Partnership	480,533	595	(88,518)	(72,427)	(160,350)	(43,234)	0	276,949
	\$48,053,255	\$59,383	(\$8,851,765)	(\$7,242,787)	(\$16,035,169)	(\$4,323,424)	\$0	\$27,694,662

TO: The Limited Partners

FROM: John J. Park

DATE: April 15, 2003

SUBJECT: Portfolio Valuations for March 31, 2003

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, 2003.

ALNYLAM PHARMACEUTICALS – In July 2002, Alnylam completed a \$15.4 million first round financing at \$2.50 per share, valuing the company at \$20.15 post-money. New investor Atlas Ventures led the financing, with CHP II contributing \$3.25 million. We propose to value our investment on the basis of this financing, resulting in an unrealized gain of \$1,500,000 on our cost basis of \$4,250,000 as of March 31, 2003. This valuation represents no change from the valuation as of December 31, 2002.

Value Computation:

Series A Convertible Preferred Stock	
1,000,000 shares x \$2.50	\$2,500,000
Series B Convertible Preferred Stock	
1,300,000 shares x \$2.50	= <u>3,250,000</u>
	<u>\$5,750,000</u>

CHP II, L.P.**Portfolio Valuations as of March 31, 2003****Page 2 of 3**

INTELLICARE – In May 2002, IntelliCare completed a \$10.15 million second round financing at \$0.1923 per share, valuing the company at \$20.15 post-money. New investor Canaan Partners led the financing, with CHP II contributing \$1 million. We propose to value our investment on the basis of this financing, resulting in an unrealized loss of \$1,535,415 on our cost basis of \$4,000,000 as of March 31, 2003. This valuation represents no change from the valuation as of December 31, 2002.

Value Computation:

Series B Convertible Preferred Stock		
7,616,146 CSE's x \$0.1923		\$1,464,585
Series C Convertible Preferred Stock		
5,200,208 shares x \$0.1923	=	<u>1,000,000</u>
		<u>\$2,464,585</u>

IPHYSICIANNET - In September 2000, iPhysicianNet completed a \$36 million financing led by KBL Healthcare Ventures and Patricof Ventures, with CHP II contributing \$5 million. Per the terms of the financing, on December 31, 2001 the conversion price for the shares was adjusted from \$4.00 to \$1.00, effectively reducing our cost per share to \$1.00. In February 2002, the company completed an \$11 million insider led financing that valued the company at \$94 million post-money. CHP II invested \$757,897, representing our pro-rata share of the financing. After analyzing the financial requirements and operational forecast for the coming year, we propose that the investment value should be reduced to 50% of cost, producing an unrealized loss of \$2,878,949 on our investment cost basis of \$5,757,897 as of March 31, 2003. This valuation represents no change from the valuation as of December 31, 2002.

Value Computation:

Series E Convertible Preferred Stock		
5,000,000 shares x \$1.00 x 50%	=	\$2,500,000
Series G Convertible Preferred Stock		
378,948 shares x \$2.00 x 50%	=	<u>378,948</u>
		<u>\$2,878,948</u>

CHP II, L.P.

Portfolio Valuations as of March 31, 2003

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MOLECULAR MINING - On May 10, 2001, Molecular Mining completed an \$8.3 million financing at \$2.0464 per share, valuing the company at \$18.3 million post-money. A new investor, Sofinov, led this financing, with CHP II investing \$1.5 million. During the first quarter of 2003, as the result of an inability to attain additional outside financing and the lack of sufficient operational progress to support continuing operations, management and the Board of Directors decided to cease operations and sell the assets of the company. Consequently, we have reduced the value of our Series B Preferred investment to \$100,000, reflecting a conservative estimate of current value. At this valuation, our investment shows an unrealized loss of \$1,409,060 on a cost basis of \$1,509,060 as of March 31, 2003. This valuation represents a decrease of \$654,530 from our carrying value as of December 31, 2002.

Value Computation:

Series B Convertible Preferred Stock		
737,422 shares	=	<u>\$100,000</u>

CHP II, L.P.
Portfolio Valuation Summary
For the Quarter ended March 31, 2003

<u>Portfolio Company</u>	<u>Investment</u>	<u>Fair Value 03/31/03</u>	<u>Fair Value 12/31/02</u>	<u>Change from Prior Quarter</u>	<u>Reason for Change</u>
Alnylam Pharmaceuticals, Inc.	\$4,250,000	\$5,570,000	\$5,570,000	\$0	
AthenaHealth, Inc.	\$5,000,001	\$5,000,001	\$5,000,001	\$0	
CardioOptics, Inc.	\$2,000,000	\$2,000,000	\$2,000,000	\$0	
Intellicare America, Inc.	\$4,000,000	\$2,464,585	\$2,464,585	\$0	
IPhysicianNet, Inc..	\$5,757,897	\$2,878,948	\$2,878,948	\$0	
Mobile Medical Industries	\$2,500,000	\$2,500,000	\$2,500,000	\$0	
Molecular Mining Corporation	\$1,509,060	\$100,000	\$754,530	(\$654,530)	Mark Down. (note 1)
Momenta Pharmaceuticals	\$1,000,000	\$1,000,000	\$1,000,000	\$0	
Replication Medical	\$2,500,000	\$2,500,000	\$0	\$2,500,000	New Investment (note 2)
Rib-X Pharmaceuticals	\$3,000,000	\$3,000,000	\$3,000,000	\$0	
Total Portfolio	\$31,516,958	\$27,193,534	\$25,348,064	\$1,845,470	

- 1) During the quarter, management and the Board of Directors agreed to cease operations and sell the assets of the company. Consequently, we have reduced the carrying value for our investment to \$100,000, reflecting our estimate of current value.
- 2) On March 4, 2003, CHP II contributed \$2.5 million to a \$6.0 million first round financing for Replication Medical. The financing was led by Cardinal and included the Hillman Company, J&J and Synthes Spine. The effective pre-money value for the financing was \$4 million.

ALNYLAM PHARMACEUTICALS, INC.
Cambridge, MA
{www.alnylam.com}

Therapeutics Based on the Novel Biological Mechanism of RNA Interference

Period Summary: 1st Quarter 2003

Alnylam continued to make good organizational and scientific progress in the opening quarter of 2003. Highlights for the quarter include the recruitment of key management and scientific talent, further development of the initial scientific programs, initiation of corporate partnering discussions and strengthening its intellectual property portfolio.

Significant hires during the quarter include the Vice President, Drug Discovery, Vice President of Research, Vice President of Corporate Development and Corporate Controller. Hiring priorities for the coming months are Chief Scientific Officer, Vice President, Business Development and Chief Patent Counsel. There is a high level of enthusiasm in the scientific community surrounding Alnylam, which is proving to be an invaluable recruiting asset.

The company ended the quarter with \$14.1 million in cash and a monthly burn rate of \$425K. The financial forecast for the year has the burn ramping to >\$750K per month by yearend. Management believes the company can operate on current capital resources through the end of 2004. The company is currently in discussions with a potential corporate partner that would provide an additional \$5-\$10 million in capital this year. Other corporate partnership discussions have been initiated and are ongoing.

During the quarter, the company continued to strengthen its intellectual property portfolio with the signing of four in-licensing agreements and the filing of seven new patent applications. The company is at the letter on intent stage on a transaction that would significantly resolve most of the remaining risk in the company's fundamental RNAi patent portfolio.

Alnylam has taken great strides since it's founding in July 2002. New CEO, John Maraganore has done a terrific job of building a top-notch scientific team and setting a cohesive and clear direction for the company. Key milestones for this year include: the completion of the senior management team, completion of a significant partnership deal with a major pharmaceutical company, and the initiation of pre-clinical development for its lead scientific program. Overall, Alnylam continues to make significant progress towards building the world's leading position in RNA interference-based therapeutics.

ALNYLAM PHARMACEUTICALS (cont.)

FINANCIAL RESULTS: (\$000)

Overview: (FYE 12/31)

	<i>2002 Preliminary*</i>	<i>2003 Budget</i>
Revenues	0	5,000
R&D Expenses	662	5,800
SG&A Expenses	1,480	7,477
EBIT	-2,142	-8,277
Interest and Taxes	86	46
Net Income	-2,056	-8,231

* - Subject to Audit

Last Three Months: Quarter Ended March 31, 2003

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	0	0	0
R&D Expenses	584	625	+41
SG&A Expenses	1,098	1,360	+262
EBIT	-1,682	-1,985	+303
Interest and Taxes	28	30	-2
Net Income	-1,654	-1,955	+301

Fiscal Year-to-Date: Three Months Ended March 31, 2003

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	0	0	0
R&D Expenses	584	625	+41
SG&A Expenses	1,098	1,360	+262
EBIT	-1,682	-1,985	+303
Interest and Taxes	28	30	-2
Net Income	-1,654	-1,955	+301

ALNYLAM PHARMACEUTICALS (cont.)

Summary Balance Sheet as of March 31, 2003: (\$000)

Cash	\$ 14,082	Accounts Payable	\$ 350
Accounts Receivable	0	Accrued Expenses	351
Other Current Assets	<u>250</u>	Other Current Liabilities	<u>0</u>
Total Current Assets	14,332	Total Current Liabilities	701
Net PP&E	554	Long Term Debt - Lease line	549
Intangibles (Net)	0	Shareholders Equity	17,346
Other Assets	<u>0</u>	Retained Earnings	<u>-3,710</u>
Total Assets	<u>\$14,886</u>	Total Liabilities & Equity	<u>\$14,886</u>

Comments:

Alnylam has raised over \$17 million since its inception in May. The company is building infrastructure and is forecasted to have an average monthly burn rate of \$400K - \$500K for the first six months of 2003. Management expects the current funds to last well into 2004.

CHP II, L.P. Holdings:

Series A Convertible Preferred Stock	1,000,000 shares
Assigned Fair Value (1,000,000 x \$2.50)	\$2,500,000
Investment Cost	\$1,000,000
Cost per Share	\$1.00
Series B Convertible Preferred Stock	1,300,000 shares
Assigned Fair Value	Investment Cost
Investment Cost	\$3,250,000
Cost per Share	\$2.50
% Ownership (Full Dilution)	18.5%
Company Valuation at CHP II Cost	\$22.9 million
Company Valuation at Assigned Fair Value	\$30.2 million

Outlook:

We are very excited about the prospects for Alnylam as it builds on its leading market position in the RNAi based therapeutics field.

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

Web-Based Business Practice Management Services for Physician Offices

Period Summary: 1st Quarter 2003

The first quarter of 2003 was one of record sales and across the board solid financial performance for Athena. Sales results were the best in company history, with more than \$5 million in new contracts signed during the period. Revenues were ahead of plan despite a relatively low volume of go lives during the quarter. Enhanced controls and processes implemented during the period drove a quarterly reduction of 18% in Days Sales Outstanding. These results improve the financial outlook considerably for the year, with lower losses now projected ahead of forecast Q4 breakeven.

Revenue for the quarter exceeded \$5 million, increasing 18% over the prior quarter and slightly exceeding plan. The higher revenues coupled with moderate cost growth drove a 41% improvement in gross margin over the prior quarter and exceeding budgeted margin for the period by 12.5%. Net income and EBITDA both show a 15% positive variance to plan. Monthly cash burn averaged \$600K for the period, slightly worse than plan due to higher than forecast cash outlays in January. The company is \$200K behind on its cash plan for the year, but with the positive contracting variance of \$1.4 million in Q1, gross margins are expected to improve by \$60K per month, thereby lowering net loss per month and decreasing the cash burn.

Looking ahead, Q2 sales also look strong and are expected to achieve or exceed budget of \$4.6 million. Management is also looking to extend its current capital equipment facility of \$2 million in the coming quarter, along with exploring other working capital facilities to support expansion. Athena's primary milestone for the year will be the attainment of breakeven during Q4, at which time we expect the company will have an annual revenue run rate exceeding \$30 million and be an attractive candidate for a liquidity event with its robust recurring revenue model and strong margins.

ATHENAHEALTH, INC (cont.)

FINANCIAL RESULTS: (\$000)

Overview: (FYE 12/31)

	<i>2001 Actual</i>	<i>2002 Actual*</i>	<i>2003 Budget</i>
Revenues	3,459	11,985	25,706
Direct Expenses	6,480	10,137	16,897
SG&A	9,278	8,860	9,813
EBITDA	-12,299	-7,012	-1,004
Depreciation	1,636	2,493	3,174
Interest and Taxes	855	-55	-432
Net Income	-13,080	-9,560	-4,610

* Subject to Audit

Last Three Months: Quarter Ended March 31, 2003

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	5,043	5,040	+3
Direct Expenses	3,400	3,580	+180
SG&A	2,248	2,275	+27
EBITDA	-605	-815	+210
Depreciation	692	719	+27
Interest and Taxes	-79	-87	+8
Net Income	-1,376	-1,621	+245

Fiscal Year-to-Date: Three Months Ended March 31, 2003

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	5,043	5,040	+3
Direct Expenses	3,400	3,580	+180
SG&A	2,248	2,275	+27
EBITDA	-605	-815	+210
Depreciation	692	719	+27
Interest and Taxes	-79	-87	+8
Net Income	-1,376	-1,621	+245

** Budget Revised – February 2002

ATHENAHEALTH, INC. (cont.)

Summary Balance Sheet as of March 31, 2003: (\$000)

Cash	\$ 7,359	Accounts Payable	\$ 845
Accounts Receivable	2,586	Accrued Expenses	1,136
Other Current Assets	<u>568</u>	Other Current Liabilities	<u>3,689</u>
Total Current Assets	10,513	Total Current Liabilities	5,670
Net PP&E	2,573	Long Term Debt - Lease line	2,985
Intangibles (Net)	1,810	Shareholders Equity	43,353
Other Assets	<u>149</u>	Retained Earnings	<u>-36,963</u>
Total Assets	<u>\$15,045</u>	Total Liabilities & Equity	<u>\$15,045</u>

Comments:

Cash burn for the year is slightly behind plan, but the solid financial and sales results in Q1 2003 should mitigate this variance over the next quarter. Management is currently projecting achievement of cash flow breakeven in Q4 2003 with over \$5 million in cash.

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%
Company Valuation at CHP II Cost	\$81.3 million
Company Valuation at Assigned Fair Value	\$81.3 million

Outlook:

We remain very enthusiastic about the prospects for Athena, which continues to build backlog, enjoys a powerful recurring revenue model with high exit barriers, and retains a strong lead in the business of automating the business functions of physician offices.

CARDIO-OPTICS, INC.
Boulder, CO
{www.cardiooptics.com}

Infrared Light Based Technology to Achieve Vision Through Blood to Guide Therapy

Period Summary: 1st Quarter 2003

In the initial animal tests conducted in November 2002, the results were excellent and as expectations were that further testing would produce similar results, management was gearing up for entering the market by the end of 2003. However, in animal testing completed in February and March, results were very inconsistent. The initial problems were related to inadequate illumination, but subsequent tests have revealed other potential issues with the catheter that are relevant to the clarity of the images. Management is confident that all of these issues can be resolved with further product enhancement and the use of different optical materials. However, these issues will likely lead to a 3-6 month delay in beginning human testing of the device. Without consistent animal testing results, the company cannot begin any human testing and therefore will delay its 510K submission until at least Q3 of this year.

Under these circumstances, management has proposed a reduced cash burn plan that focuses the company squarely on resolving the technical issues with the device. Under the proposal, management will take further salary reductions and virtually eliminates all sales and marketing expenditures. Cash would accordingly be extended into Q4 of 2003. The investors are guiding management to operate the company with a lean structure until product viability has been proven in human clinical studies. Provided sufficient clinical progress is being made, the current investors intend to provide additional capital to complete initial human clinical studies, if necessary.

In March, the company had some very good news, receiving approval to conduct a 10 person human trial at Galichia Heart Center under the Institutional Review Board (IRB) process sanctioned by the FDA. Under the approved protocol, the Cardio-Optics device would be utilized in conjunction with a scheduled biventricular pacemaker implantation. Given the increased scrutiny by the FDA on IRBs for device testing on humans as Non-Significant Risk (NSR), this is a real coup for the company. The trial would begin as soon as the company has completed its animal testing.

While technical issues have resulted in setbacks in the timing of initiating human clinical studies, management has reacted quickly to reformulate strategy and develop a revised operating plan. The company has a cash efficient development strategy that we believe can still yield significant progress on existing capital. The key milestones for the company for the remainder of 2003 include: obtaining consistent results from animal studies, submission and approval of 510(k) for initial indication, initiation of human clinical studies, and making significant progress on the development of strategic marketing relationships.

CARDIO-OPTICS, INC. (cont.)

FINANCIAL RESULTS: (\$000)

Overview: (FYE 12/31)

	<i>2001 Actual*</i>	<i>2002 Actual*</i>	<i>2003 Budget</i>
Revenues	0	0	285
Cost of Sales	0	0	256
SG&A	1,069	2,647	4,253
EBIT	-1,069	-2,647	-4,224
Interest and Taxes	5	21	18
Net Income	-1,064	-2,626	-4,206

* Subject to Audit

Last Three Months: Quarter Ended March 31, 2003

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	0	0	0
Cost of Sales	0	0	0
SG&A	813	1,128	+315
EBIT	-813	-1,128	+315
Interest and Taxes	10	10	0
Net Income	-803	-1,128	+315

Fiscal Year-to-Date: Three Months Ended March 31, 2003

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	0	0	0
Cost of Sales	0	0	0
SG&A	813	1,128	+315
EBIT	-813	-1,128	+315
Interest and Taxes	10	10	0
Net Income	-803	-1,128	+315

CARDIO-OPTICS, INC. (cont.)

Summary Balance Sheet as of March 31, 2003: (\$000)

Cash	\$ 2,066	Accounts Payable	\$ 28
Accounts Receivable	0	Accrued Expenses	221
Other Current Assets	<u>0</u>	Other Current Liabilities	<u>0</u>
Total Current Assets	2,066	Total Current Liabilities	249
Net PP&E	85	Long Term Debt - Lease line	74
Intangibles (Net)	0	Shareholders Equity	6,073
Other Assets	<u>90</u>	Retained Earnings	<u>-4,155</u>
Total Assets	<u>\$ 2,241</u>	Total Liabilities & Equity	<u>\$ 2,241</u>

Comments:

The company is well ahead of its forecasted cash position, but would still require additional financing by Q3 of this year at the current burn rate. Management has proposed a reduced burn plan to sustain operations into Q4, that will hopefully the company enough time to get back on its timeline to market.

CHP II, L.P. Holdings:

Series A Convertible Preferred Stock	1,290,323 shares
Assigned Fair Value	Investment Cost
Investment Cost	\$2,000,000
Cost per Share	\$1.55
% Ownership (Full Dilution)	23.5%
Company Valuation at CHP II Cost	\$8.5 million
Company Valuation at Assigned Fair Value	\$8.5 million

Outlook:

The technical issues that have resulted in the delay to market are of some concern, but we remain optimistic these can be resolved successfully and Cardio-Optics will provide superior returns on our investment.

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

Integrated Telecommunications, Web and Data Networks for Patient Management

Period Summary: 1st Quarter 2003

The first quarter of 2003 was highlighted by record implementations and generally on plan financial performance. Nearly \$5 million in new annual revenue was installed during the first quarter. New contract booking was slow during the quarter, however the sales pipeline is deep and management believes that the goal of \$7.5 million in new business sales for the year will still be obtained. To better align the sales effort with management objectives, the company is reorganizing to align sales / account management and product management by market.

Financial results for the quarter were in line with expectations. Revenues were \$3.3 million and 8% better than plan. Gross margins were 35% for the period, 12.5% lower than budget due to a combination of higher telecom costs, higher call center employee related costs and one-time integration costs associated with implementing the Magellan asset acquisition. Management has put plans in place for Q2 to improve productivity and slow new headcount additions to bring call center costs in line with expectations. The company is also transitioning over to a single carrier platform for telecom services. With these steps in place, Q2 margins should be more in line with budget. The Magellan transaction was not completed as hoped for during the quarter, but will be finalized by mid-May. The company has ample cash reserves to support operations through 2004 and will continue to consider small acquisitions. We currently forecast the company will attain break-even by the end of the year.

Key hires, particularly in sales and marketing, and the initiation of several key partnership relationships have bolstered our confidence in management attaining its 2003 goals. Three key milestones for 2003 are; a doubling of 2002 revenue to \$15 million, attaining breakeven in Q4, and the diversification of the customer base to include health plans. We continue to be generally optimistic about IntelliCare and the company's prospects for building a commanding leadership position in an underserved market niche.

INTELLICARE AMERICA (cont.)

FINANCIAL RESULTS: (\$000)

Overview: (FYE 12/31)

	<i>2001 Actual</i>	<i>2002 Actual*</i>	<i>2003 Budget</i>
Revenues	5,483	7,952	14,950
Cost of Revenues	6,593	7,385	11,823
SG&A	3,159	4,338	6,077
EBIT	-4,269	-3,771	-2,950
Interest and Taxes	60	-113	-39
Net Income	-4,209	-3,884	-2,989

* - Subject to Audit

Last Three Months: Quarter Ended March 31, 2003

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	3,375	3,119	+256
Cost of Revenues	2,182	1,869	-313
SG&A	2,340	2,346	+6
EBIT	-1,147	-1,096	-51
Interest and Taxes	8	-15	+23
Net Income	-1,139	-1,111	-28

Fiscal Year-to-Date: Three Months Ended March 31, 2003

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	3,375	3,119	+256
Cost of Revenues	2,182	1,869	-313
SG&A	2,340	2,346	+6
EBIT	-1,147	-1,096	-51
Interest and Taxes	8	-15	+23
Net Income	-1,139	-1,111	-28

INTELLICARE AMERICA (cont.)

Summary Balance Sheet as of March 31, 2003: (\$000)

Cash	\$ 5,745	Accounts Payable	\$ 656
Accounts Receivable	1,468	Accrued Payroll	960
Other Current Assets	<u>69</u>	Other Current Liabilities	<u>1,345</u>
Total Current Assets	7,282	Total Current Liabilities	2,961
Net PP&E	1,439	Long Term Liabilities	422
Intangibles (Net)	66	Shareholders Equity	18,788
Other Assets	<u>70</u>	Retained Earnings	<u>-13,314</u>
Total Assets	<u>\$ 8,857</u>	Total Liabilities & Equity	<u>\$ 8,857</u>

Comments:

The company is on plan for cash. The current capital is expected to be sufficient to support operations through the attainment of cash flow 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 (\$0.1923 x 7,616,146 CSE's)	\$1,464,585
Investment Cost	\$3,000,000
Cost per Share	\$1.00
Series C Convertible Preferred Stock	5,200,208 shares
Assigned Fair Value	\$1,000,000
Investment Cost	\$1,000,000
Cost per Share	\$0.1923
Series C Preferred Stock Warrants	510,243 shares
Exercise Price Per Share	\$0.1923
% Ownership (Full Dilution)	12.7%
Company Valuation at CHP II Cost	\$31.5 million
Company Valuation at Assigned Fair Value	\$20.1 million

Outlook:

With the company well capitalized and on a clear path to profitability, 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 2003

Continuing pressure on marketing budgets across the spectrum of its pharmaceutical client base is directly impacting iPhysicianNet (IPNI) as the company faces a critical juncture. IPNI is currently operating with five full-load clients, after two clients have greatly diminished their use of the system. New client recruiting efforts have made some progress, but management does not forecast the addition of a new client until Q4 and the addition of a second button to current clients have been pushed into Q2. Continued viability for the company will depend upon a number of factors including; maintaining the current client base, improvement in physician recruiting, increased utilization by the physicians, decreasing physician connection costs and attaining adequate financing to bridge the company to break-even.

Revenues for the quarter were \$5.1 million, an increase of 8% over the prior period, but 15% below plan. The primary reason for this was fewer installed physicians (7,108 vs. 7,800), coupled with physician utilization of the system being 11% lower than forecast. There was also a \$150K unfavorable variance as a result of the delay in implementing the second button for two clients. Cost of sales for the period shows a 17% favorable variance to budget mostly attributable to lower physician acquisition costs and lower physician connection costs resulting from the lower number of installed physicians. Operating expenses were 12% ahead of plan for the period largely from delayed expenditures for software development. Net income was more than 10% ahead of plan and cash flow was more than \$1 million ahead of plan.

While financial results for the quarter were encouraging, the company cannot survive on its current capital resources. The 2003 operating plan contains a number of significant cost reductions, but will require \$5 - \$10 million in additional financing sometime this summer. The investor syndicate is working closely with management to attain the necessary financing or complete a strategic acquisition or partnership. In order for this effort to be successful, it is essential that the company maintain its current client base. Other elements of the 2003 plan that are crucial to IPNI's long-term viability are the completion of its IP technology conversion by the end of the year and development of an expanded product offering for both its pharmaceutical clients and the physician users. We continue to work closely with management and our co-investors during this critical period for the company, but are becoming increasingly concerned that as environmental factors trend unfavorably, the likelihood of completing a transaction to suitably finance the company is diminished.

iPHYSICIANNET (cont.)

FINANCIAL RESULTS: (\$000)

Overview: (FYE 12/31)

	<i>2001 Actual</i>	<i>2002 Actual*</i>	<i>2003 Budget</i>
Revenues	10,276	18,489	27,175
Operating Expenses	31,622	23,782	26,726
SG&A	16,865	7,936	8,545
EBITDA	-38,211	-13,229	-8,096
Interest and Taxes	354	-1,256	-2,373
Net Income (Loss)	-37,857	-14,485	-10,469
EBITDA	-33,693	-8,876	-3,890

* - Subject to Audit

Last Three Months: Quarter Ended March 31, 2003

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	5,104	6,072	-968
Cost of Sales	5,126	6,175	+1,049
SG&A	1,919	2,208	+289
EBIT	-1,941	-2,311	+370
Interest and Taxes	-344	-356	+12
Net Income (Loss)	-2,285	-2,667	+382

Fiscal Year-to-Date: Three Months Ended March 31, 2003

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	5,104	6,072	-968
Cost of Sales	5,126	6,175	+1,049
SG&A	1,919	2,208	+289
EBIT	-1,941	-2,311	+370
Interest and Taxes	-344	-356	+12
Net Income (Loss)	-2,285	-2,667	+382

iPHYSICIANNET (cont.)

Summary Balance Sheet as of March 31, 2003: (\$000)

Cash	\$ 2,275	Accounts Payable	\$ 1,627
Accounts Receivable	1,340	Accrued Expenses	2,284
Other Current Assets	<u>0</u>	Deferred Revenue	<u>9,329</u>
Total Current Assets	3,615	Total Current Liabilities	13,240
Net PP&E	2,557	Long Term Debt	11,835
Intangibles (Net)	0	Shareholders Equity	79,944
Other Assets	<u>1,119</u>	Retained Earnings	<u>-97,728</u>
Total Assets	<u>\$ 7,291</u>	Total Liabilities & Equity	<u>\$ 7,291</u>

Comments:

While the company is significantly ahead of its cash flow plan for the year, current capital will support operations only into Q3 2003. Management and the investors are discussing terms and conditions for a new financing or strategic partnership.

CHP II, L.P. Holdings:

Series E Convertible Preferred Stock	1,250,000 shares
Common Stock Equivalents	5,000,000 shares
Assigned Fair Value (5,000,000 CSE's x \$1.00 x 50%)	\$2,500,000
Investment Cost	\$5,000,000
Cost per Common Stock Equivalent	\$1.00
Series G Convertible Preferred Stock	378,948 shares
Assigned Fair Value (378,948 x \$2.00 x 50%)	\$378,948
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 CHP II Cost	\$94.4 million
Company Valuation at Assigned Fair Value	\$47.2 million

Outlook:

In the current unfavorable environment, we are guarded about the prospects for IPNI.

MOBILE MEDICAL INDUSTRIES, INC.

Boca Raton, FL

{www.mobilemedicalind.com}

Provider of comprehensive, integrated home-based medical services.

Period Summary: 1st Quarter 2003

The first quarter of 2003 was marked by strong financial results and reaching the final stages of the CEO recruiting effort. As the quarter ended, the company had two viable CEO candidates in the last stages of discussions with the Board. We expect that an offer will be made in the coming weeks, with the new CEO on board by the end of Q2.

The 2003 budget shows revenues of \$42 million, a 37% growth over 2002 revenues. Existing product lines in current markets are projected to generate revenues of \$34 million, with the remaining \$8 million coming from acquisitions. Gross margins are expected to be ~ 47%, with a contribution margin of 22%. The Q4 annualized revenue run rate is projected to be \$52 million, with the company becoming cash flow positive in the quarter, and producing \$1.7 million in EBITDA. We do not foresee the need for additional capital at MMI, unless a large acquisition was to take place.

Results for the quarter were ahead of plan in all respects. Revenues were \$8.4 million, 8% ahead of plan. Revenues were above plan in all operating divisions. Gross margins exceeded plan by greater than 10% and the company was more than 20% ahead of plan for net income and EBITDA. The company is also well ahead of its cash flow plan.

Mobile Medical has a proven, scalable business model and has in place the infrastructure and compliance programs required in today's complex regulatory environment. The company has clearly established itself as a major player in the home health care, a large and quickly growing market. With the CEO recruiting effort coming to a close, the company is poised to enter a new expansion stage and we are very excited about the prospects for our investment in Mobile Medical.

MOBILE MEDICAL INDUSTRIES, INC. (cont.)

FINANCIAL RESULTS: (\$000)

Overview: (FYE 12/31)

	<i>2001 Actual</i>	<i>2002 Actual</i>	<i>2003 Budget</i>
Revenues	23,911	30,440	41,730
Direct Expenses	10,967	15,872	20,971
SG&A	15,197	19,011	23,126
EBIT	-2,253	-4,443	-2,367
Interest and Taxes	-1,760	-1,263	+521
Net Income	-4,013	-5,706	-1,846
EBITDA	-1,248	-3,966	-1,727

Last Three Months: Quarter Ended March 31, 2003

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	8,438	7,812	+626
Direct Expenses	4,316	4,170	-146
SG&A	4,746	4,928	+182
EBIT	-624	-1,286	+662
Interest and Taxes	-33	418	-451
Net Income	-657	-868	+211

Fiscal Year-to-Date: Three Months Ended March 31, 2003

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	8,438	7,812	+626
Direct Expenses	4,316	4,170	-146
SG&A	4,746	4,928	+182
EBIT	-624	-1,286	+662
Interest and Taxes	-33	418	-451
Net Income	-657	-868	+211

MOBILE MEDICAL INDUSTRIES, INC. (cont.)

Summary Balance Sheet as of March 31, 2003: (\$000)

Cash	\$ 1,497	Accounts Payable	\$ 899
Accounts Receivable	7,901	Accrued Expenses	2,063
Other Current Assets	<u>705</u>	Other Current Liabilities	<u>1,399</u>
Total Current Assets	13,103	Total Current Liabilities	4,361
Net PP&E	1,506	Debt and Other Liabilities	4,301
Acquired Goodwill (Net)	7,203	Shareholders Equity	29,578
Other Assets	<u>381</u>	Retained Earnings	<u>-16,047</u>
Total Assets	<u>\$22,193</u>	Total Liabilities & Equity	<u>\$22,193</u>

Comments:

The cash balance above does not reflect funds from the \$9.75 million second closing of the Series B round that will occur in Q2 2003. This should provide the company with adequate capital resources to operate for at least another 24 months.

CHP II, L.P. Holdings:

Series B Convertible Preferred Stock	250,000 shares
Assigned Fair Value	Investment Cost
Investment Cost	\$2,500,000
Cost per Share	\$10.00
% Ownership (Full Dilution)	6.13%
Company Valuation at CHP II Cost	\$40.8 million
Company Valuation at Assigned Fair Value	\$40.8 million

Outlook:

We are hopeful that the CEO recruiting process will be completed soon and management can focus on acquisition targets and operational efficiencies. We remain very enthusiastic about the prospects for our investment in Mobile Medical.

MOLECULAR MINING CORPORATION

Kingston, Ontario

{www.molecularmining.com}

Software Tools for Genomics Research

Period Summary: 1st Quarter 2003

Financial results for the first quarter continued to be well behind expectations, with little or no sign of recovery in the near future. Distributor and OEM relationships have failed to develop and revenue generating collaborations have also lagged plan due to longer than anticipated sales cycles. In February, management proposed a revised 2003 budget showing the company surviving on current capital resources for less than one year, even with further operational cutbacks. In March, after all potential financing/merger initiatives were proven to be unsuccessful, the Board determined that the company did not have sufficient working capital to support continued operations under management revised plan and voted to conduct an orderly liquidation of the company's assets.

It is expected that the liquidation process will be concluded over the next 3-6 months. Current estimates are that after settling all of the company's obligations, approximately \$500K could be available for distribution to the equity holders of the company. Under these circumstances, we have reduced the carrying value for our investment to \$100,000, representing our estimate of liquidation value. This has resulted in the recording of an unrealized loss of \$654,530 for the period.

MOLECULAR MINING CORPORATION (cont.)

FINANCIAL RESULTS: (\$000)

Overview: (FYE 12/31)

	<i>2001 Actual</i>	<i>2002 Actual*</i>	<i>2003 Budget</i>
Revenues	131	541	1,238
Cost of Sales	20	91	147
Operating Expenses	3,261	3,813	2,625
EBIT	-3,150	-3,363	-1,534
Interest and Taxes	211	51	7
Net Income	-2,939	-3,312	-1,527

* - Subject to Audit

Last Three Months: Quarter Ended March 31, 2003

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	68	169	-101
Cost of Sales	1	22	+21
Operating Expenses	854	683	-171
EBIT	-787	-536	-251
Interest and Taxes	6	3	+3
Net Income	-781	-533	-248

Fiscal Year-to-Date: Three Months Ended March 31, 2003

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	68	169	-101
Cost of Sales	1	22	+21
Operating Expenses	854	683	-171
EBIT	-787	-536	-251
Interest and Taxes	6	3	+3
Net Income	-781	-533	-248

MOLECULAR MINING CORPORATION (cont.)

Summary Balance Sheet as of March 31, 2003: (\$000)

Cash	\$ 1,039	Accounts Payable	\$ 18
Accounts Receivable	42	Accrued Expenses	131
Prepaid Expenses	<u>30</u>	Notes Payable	<u>0</u>
Total Current Assets	1,111	Total Current Liabilities	149
Net PP&E	224	Long Term Debt	0
Intangibles (net)	145	Shareholders Equity	10,458
Other Assets	<u>0</u>	Retained Earnings	<u>-9,127</u>
Total Assets	<u>\$ 1,480</u>	Total Liabilities & Equity	<u>\$ 1,480</u>

Comments:

During the quarter, the Board of Directors elected to cease operations and liquidate the assets of the company. This process should take 3-6 months to complete. The current estimate is that approximately \$500K will be available for distribution to the Series B investors upon completion of the liquidation.

CHP II, L.P. Holdings:

Series B Convertible Preferred Stock	737,422 shares
Assigned Fair Value (cost)	\$100,000
Investment Cost	\$1,509,060
Cost per Share	\$2.05
% Ownership (Full Dilution)	8.2%
Company Valuation at CHP II Cost	\$18.0 million
Company Valuation at Assigned Fair Value	Minimal

Outlook:

The return from our investment in Molecular Mining will be minimal.

MOMENTA PHARMACEUTICALS, INC.
(formerly Mimeon, Inc.)
Cambridge, MA
{*www.momenta.com*}

Glycomics Based Drug Discovery and Development

Period Summary: 1st Quarter 2003

Momenta had another solid quarter. Initial meetings with the FDA are scheduled for April on the company's lead product. Corporate partnering discussions are continuing and management expects to have a deal in place by mid-summer. The company has refocused its product development focus in order to more efficiently utilize its capital resources. Management expects to complete a second round financing in Q2.

During the quarter, management shifted the focus of the company from one of maximizing the product pipeline, to one of utilizing resources to proof-of-concept stage and partnering. The result of this action will be to significantly reduce cash burn for the year. The plan will be to focus on a few key programs until it is either co-funded by a corporate partnership, or a scientific proof-of-concept is achieved. The results of this change in focus are illustrated by the financial results for the period. Significant reductions in cost were achieved as compared to budget primarily from lower headcount and facility costs.

At its current burn rate, the company will require additional financing in Q2 2003. The company has a commitment from CHP II and Polaris for a \$6.5 million financing and management believes it will receive a term sheet for a much larger financing from a prominent venture capital firm shortly. We are confident that the company will have no trouble attaining the necessary financing to support its development plan.

Overall progress and prospects at Momenta remain excellent. For 2003 management key milestone events include: completion of a second round financing in excess of \$10 million, completion of a major corporate alliance by mid-year, the filing of an ANDA with the FDA by year-end on its lead product, and further preclinical/clinical development on its 2nd and 3rd product programs.

MOMENTA PHARMACEUTICALS, INC. (cont.)

FINANCIAL RESULTS: (\$000)

Overview: (FYE 12/31)

	<i>2002 Preliminary*</i>	<i>2003 Budget</i>
Revenues	0	100
Research Expenses	0	4,492
Operating Expenses	3,647	7,495
EBIT	-3,647	-11,887
Interest and Taxes	20	21
Net Income	-3,627	-11,866

* - Subject to Audit

Last Three Months: Quarter Ended March 31, 2003

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	0	0	0
Cost of Sales	0	0	0
Operating Expenses	1,157	2,025	-868
EBIT	-1,157	-2,025	+868
Interest and Taxes	-1	15	-16
Net Income	-1,158	-2,010	+852

Fiscal Year-to-Date: Three Months Ended March 31, 2003

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	0	0	0
Cost of Sales	0	0	0
Operating Expenses	1,157	2,025	-868
EBIT	-1,157	-2,025	+868
Interest and Taxes	-1	15	-16
Net Income	-1,158	-2,010	+852

MOMENTA PHARMACEUTICALS, INC. (cont.)

Summary Balance Sheet as of March 31, 2003: (\$000)

Cash	\$ 869	A/P & Accrued Expenses	\$ 460
Prepaid Expenses	47	Deferred Charges	0
Other Current Assets	<u>0</u>	Notes Payable	<u>0</u>
Total Current Assets	1,502	Total Current Liabilities	460
Net PP&E	896	Long Term Debt	605
Intangibles (net)	0	Shareholders Equity	6,195
Other Assets	<u>63</u>	Retained Earnings	<u>-5,385</u>
Total Assets	<u>\$ 1,875</u>	Total Liabilities & Equity	<u>\$ 1,875</u>

Comments:

The company will require additional financing by Q2 2003. Management has completed a \$1.2 million equipment leasing credit facility and the current investors have committed \$6.5 million in new financing. Management is pursuing additional investors and/or corporate strategic partner financing to support a more aggressive development plan. We expect a financing to close by the end of May.

CHP II, L.P. Holdings:

Series AA Convertible Preferred Stock	348,432 shares
Assigned Fair Value	Investment Cost
Investment Cost	\$1,000,000
Cost per Share	\$2.87
% Ownership (Full Dilution)	6.25%
Company Valuation at CHP II Cost	\$16.0 million
Company Valuation at Assigned Fair Value	\$16.0 million

Outlook:

The combination of the high potential of the company's technology and the prior record of successful business development of CEO Alan Crane, leads us to be very enthusiastic about the prospects for our investment in Momenta.

TO: The Limited Partners

FROM: The General Partner

DATE: March 4, 2003

SUBJECT: Investment in Replication Medical, Inc.

On March 4, 2003, CHP II, L.P. (CHP II) invested \$2.5 million as part of a \$6 million financing for Replication Medical, Inc. (Replication). The financing was led by Cardinal and carried a pre-money valuation of \$6 million. Co-investors for this financing included current Replication investor, The Hillman Company, and new investors J&J Development Corp. and Synthes-Stratec. Brandon Hull will represent CHP II on the Replication Board of Directors, with Geoff Pardo serving as an observer. The financing is expected to provide the company with sufficient capital to complete human clinical trials and its US IDE submission.

Replication Medical is an early stage company that has developed a nucleus replacement device utilizing HydroGel for the treatment of degenerative disc disease in the spine. The Company occupies a small incubator space in New Brunswick, New Jersey.

History:

Replication Medical, Inc. (RMI) was formed in July 2000 to develop and commercialize its proprietary hydrogel implant technology. The Company's sole initial focus is the development of a product to treat degenerative spinal disc disease (DDD). The NeuDisc™ spinal nucleus implant replaces the native nucleus pulposus, restoring function to the disc, and slowing or reversing the degenerative process. Importantly, the NeuDisc™ will be implanted through standard minimally invasive surgical procedures.

Effective treatment of DDD is a major unmet medical need. When artificial disc and prosthetic disc nucleus products reach the US market, they will revolutionize the spine market in the same way artificial hips and knees transformed the total joint market. Disc nucleus implants such as the NeuDisc™, have application in over 900,000 surgical procedures annually in the US alone and should command a revenue per procedure of over \$3,000, generating a market potential of well over one billion dollars.

The product is composed of a synthetic, proprietary polymer, Aquacryl™, which has excellent biostability, biocompatibility and biomechanical properties. Aquacryl™ closely mimics the structural features of natural nucleus pulposus, making it an ideal candidate for disc nucleus replacement. One of the key features of the NeuDisc™ is its extraordinary high wet:dry expansion ratio, which should eliminate dislodgement risk. It retains its strength even at high water content (90%).

REPLICATION MEDICAL (cont.)

The NeuDisc™ meets three essential criteria of an ideal spinal nucleus replacement. The NeuDisc™ will: relieve spinal and leg pain due to disc degeneration; be delivered via a minimally invasive procedure, without risk of expulsion; and restore functionality to the disc and reduce further degeneration of adjacent discs.

Replication is the sole owner of all the patent rights for the use of hydrogel medical implant technology invented by Dr. Vladimir Stoy. Dr. Stoy is arguably the world's leading expert in the field of hydrogel chemistry and its use in medical devices. Two critical patents have issued, and others are pending encompassing several embodiments of the NeuDisc device and methods of delivering the implant.

The NeuDisc™ is in the latter stages of preclinical evaluation. The Company has initiated the non-human *in vivo* studies, and is conducting development stage bench studies and biocompatibility testing required for submission of the US Investigational Device Exemption (IDE). Upon completion of these studies Replication will seek approval from both European and US regulatory to initiate pilot human clinical studies of the NeuDisc™. A pilot clinical study will commence in Europe during the summer of 2003.

Technology:

The NeuDisc™ spinal nucleus implant is a nucleus pulposus replacement device that is placed into the intervertebral disc space in a compressed dehydrated state and allowed to expand through the absorption of body fluids. This expansion creates a swelling pressure that counteracts further compression. The hydrogel behaves in a dynamic manner by absorbing fluid when under reduced load and desorbing fluid under pressure (e.g. when the individual is standing or sitting upright). This critical characteristic mimics the behavior of the native nucleus pulposus, allowing the implant to dynamically respond to changes in load.

The NeuDisc™ Spinal Nucleus Implant is intended to treat single level, degenerative disc disease in patients with reduced disc height and severe back pain who are unresponsive to conservative, non-surgical therapy for a period of at least six months. The role of the device is to replace the overall function of the native nucleus pulposus that has been compromised as a result of the disease process. The NeuDisc™ simulates the essential properties of the nucleus pulposus reproducing as closely as possible, its elastic modulus, yield strength and energy absorptive properties. The device functions by providing a separation between adjacent vertebral bodies, and deforms in a manner to allow essentially normal motion between the vertebrae in bending, extension and torsion. The annulus fibrosus, facet joints and other supportive structures, which limit range of motion in all degrees of freedom except axial compression, are left intact following introduction of the device.

REPLICATION MEDICAL (cont.)

The NeuDisc™ will be introduced using standard minimally invasive surgical approaches via an anterior, anterolateral or posterior approach. A folding and insertion kit has been developed which is now being evaluated in cadavers. The folding device converts the implant into a unique geometry that ensures the NeuDisc™ will open in the proper configuration when inserted into the disc space. The unique feature of this material is that it can take up 90% of its weight in water, a water content similar to that of nucleus pulposus. The NeuDisc™ is inserted in a dehydrated state, facilitating minimally invasive implantation, then expands anisotropically after insertion due to water absorption. Its expansion ratio means that it grows much larger than the hole in the annulus through which it is introduced – preventing dislodgment even under extreme load conditions. Dislodgment is significant problem for some of the company's competitors.

The implant is composed of a proprietary synthetic polymer, Aquacryl™, a multiblock acrylic copolymer produced by partial hydrolysis of polyacrylonitrile. The implant is formed from alternating layers of Aquacryl™ with Dacron reinforcement. Due to the chemical and structural composition of the base polymer material, Aquacryl™ closely mimics the structural features of natural hydrogels, such as nucleus pulposus or cartilage. The main consequence of this structural similarity is similar physical (such as swelling pressure and permeability) and mechanical properties.

Market and Business Strategy:

All approaches to artificial discs are aimed at alleviating disc pain and restoring range of motion and disc height. Currently in the US, several companies are in the development stage with competitive disc nucleus devices, yet all are at least several years from FDA approval, and none have the unique and extraordinary properties of the NeuDisc™.

Over 5 million people in the US suffer from back pain. Conditions related to back pain account for more hospitalizations annually than any other orthopedic condition. Fortunately, relief from these symptoms will occur in the majority of cases without surgery. However, for those individuals who fail to improve with non-operative therapies, the options are limited and most frequently involve arthrodesis or fusion of the vertebrae adjacent to the diseased disc. Since spinal fusion is a highly invasive surgical procedure with uncertain clinical outcomes, it is a treatment of last resort.

In 2002, nearly 400,000 spinal fusions were performed in the US. More than half of these fusions were directed at treating degenerative conditions of the lumbar spine. By the year 2005, the number of fusion procedures is expected to rise to over 500,000. For individuals who do not respond to conservative therapies, there are few treatment options currently available. The NeuDisc™ will be an option for many fusion candidates and most of those in the painful, pre-fusion waiting period.

REPLICATION MEDICAL (cont.)

There is a compelling analogy to pre 1970's hip and knee market when patients commonly underwent hip and knee fusion to treat intractable arthritic pain. The advent of non-fusion arthroplasty techniques and implants for hips and knees led to an explosion in the number of these procedures and the generation of a multi-billion dollar industry. Extrapolating to the spine, spinal arthroplasty (or non-fusion) methods to treat individuals who suffer from degenerative disc disease are an enormous undeveloped market opportunity awaiting the introduction of appropriate spinal implants.

Much of the company's current activities are conducted in universities and contract research facilities located around the country. Clinical trial product and materials for product development are produced by an ISO certified and GMP inspected contract product development and manufacturing facility located in Prague, CzR. In Addition to a core team of three individuals, the company is staffed with part-time consultants who have key expertise in critical areas such as bioengineering, implant design, toxicology and regulatory affairs. This "virtual" structure of the company enables Replication to access key talent in the timeframe needed, at a reduced overall cost.

Competition:

Spinal fusion is the gold standard of care for treating advanced degenerative disc disease. Spine arthroplasty and disc replacement/augmentation technologies will both compete with this well-entrenched procedure. With the advent of new spine arthroplasty technologies, cases that are currently fused are likely to be partitioned based upon the severity of the disease into those that are either candidate for total disc replacement versus those that are earlier stage, and would benefit from the less invasive approach involving a nucleus replacement device. In addition to total disc replacement and nucleus replacement technologies, there are a host of other approaches that may be used either in combination with disc replacement or perhaps even independently. Many of these technologies are very early stage and have not yet demonstrated feasibility or proof-of-principle in the clinic.

RayMedica PDN

The RayMedica device consists of two components, a modified polyacrylonitrile hydrogel enclosed within a polyethylene fiber jacket. Two devices are inserted into the disc space. The individual devices are initially introduced in an anterior-posterior direction and then rotated so that in the final configuration, the two implants rest in the medial-lateral direction. These devices must be inserted one at a time, rotated and then sutured together. The polymer technology is based upon an older hydrogel formulation invented by Dr. Vladimir Stoy, which is capable of achieving hydration levels of up to about 80%. The product is intended to restore disc height, range of motion and alleviate pain. To date, there have been over 500 of these devices implanted.

REPLICATION MEDICAL (cont.)

The clinical results of the device have been generally good with these exceptions: 1) the early clinical experience of extrusion was on the order of 20% and 2) implantation of the device is considered technically difficult. Recently, extrusion rates have reportedly been reduced through changes in device design and modifications of the surgical implementation procedure. The product is currently marketed in Europe, parts of Asia and South America. A Phase I US pilot clinical trial was conducted in 1999 with disappointing results stemming from high dislodgement rates. After a considerable delay, a second pilot clinical trial in the US was initiated in February 2002.

Despite the many shortcomings of the device, clinical trials using the device show that the device significantly reduces pain and improves the quality of life for patients receiving the implant. Importantly, clinical data emerging from RayMedica studies continue to support the proof-of-principle that severe back pain resulting from degenerative disc disease can be successfully treated with a nucleus replacement device. The data demonstrates the significant potential for an implant with improved product features. In 2002, Sofamo-Danek (Medtronic) made an equity investment in RayMedica and agreed to distribute the product internationally. This strategic decision by Sofamore validates the artificial spinal nucleus product concept.

Stryker Howmedica Aquarelle.:

Through the 1998 acquisition of Howmedica, Stryker acquired Aquarelle, a product composed of a polyvinylalcohol hydrogel based material, which is inserted in a pre-hydrated state into the disc space using a pneumatic pressure device. The device is inserted in its maximum state of hydration and thus doesn't seek to increase, but merely maintain disc height. Otherwise, the product is intended to perform the same functions as the RayMedica device. The product has been in development for at least 10 years and has undergone considerable preclinical testing. Animal studies of the device have been disappointing with high extrusion rates reported. Currently, the device is in preclinical testing with pilot clinical trials expected to be initiated sometime in 2003.

Disc Dynamics:

Disc Dynamics, a spinout of Advanced Biosurfaces, is an early stage company exploiting polyurethane based technologies as a platform for developing medical products. The product for nucleus augmentation consists of a polyurethane balloon that is inserted into the disc space percutaneously. The balloon is filled with a curable polymer, which sets up once introduced. Requirements of the device include an intact annulus since the material doesn't provide any structural support. Furthermore, the material will flow, conform and set-up into the space made for it, creating the potential for a device that is poorly matched to the anatomy of the disc space.

REPLICATION MEDICAL (cont.)

Management:

The company has assembled an experienced team of operating managers, directors and medical advisors to lead it through the early stages of its development.

Charles G. Hadley, Acting CEO and Chairman of the Board - Mr. Hadley is a founder of the company. Chuck has been a managing director of Rock Hill Ventures and its predecessor company, Hillman Medical Ventures, since 1988. He was a founding investor of a number of successful medical technology companies including Ultracision, SpectRx and Talaria Therapeutics. He is currently also chairman of the board of BioPhoretic Therapeutic systems, and serves on the boards of several other Medical technology companies including: SpectRx, Proxima Therapeutics and Endius.

Ann Prewett, Ph.D., and President – Dr. Prewett joined Replication Medical Inc. in July of 2000. From 1995 to 2000, Dr. Prewett held the positions of Corporate Director of Advanced Technology & Biomaterials Research and Director of Research & Development with Datascope Corp. As an integral part of the Datascope business development team, Dr. Prewett was responsible for technology assessment and licensing and was instrumental in the development and commercialization of several new products including the VasoSeal vascular sealing device, InterGard Silver and InterGard Heparin vascular grafts. From 1993 to 1995 Dr. Prewett was Vice President of Product Development at Osiris Therapeutics, a developer of tissue-engineered implants for musculoskeletal repair and from 1989 to 1993, held positions of increasing responsibility at Osteotech, Inc. as Director of Biologics and Executive Director of Advanced Technology. Her research in the area of osteoinductive factors and delivery systems led to the development and clinical introduction of Grafton, a demineralized bone matrix product used in orthopedics to fill bone defects and promote skeletal repair. Dr. Prewett holds a BS degree in BioChemistry and a Ph in Inorganic/organometallic chemistry.

Vladimar Stoy, Ph.D., and Chief Science Officer – Dr. Stoy is a founder of the Company and has overall responsibility for research & development. Dr. Stoy is a world renowned polymer chemist who has specialized in the generation and development of medical products derived from polyacrylonitrile hydrogels and similar materials. He holds over 100 patents in this area. Dr. Stoy was involved in the development of the first synthetic hydrogels, hydrogel contact lenses and other medical device applications. He has co-founded several companies involved in the commercialization of hydrogel technologies including, S.K.Y. Polymers, Kingston Technologies, and Hymedix International, Inc. Dr. Stoy holds a Bachelors degree in Chemical Engineering, a Masters degree in Polymer Technology and a PhD in Macromolecular Sciences.

REPLICATION MEDICAL (cont.)

Financial Projections:

Replication is an early stage company and likely will not produce any revenues until 2004. . The proceeds of this financing will be used primarily for completion of animal studies, initiation of European human clinical trials, completion of the product delivery system, submission of the US IDE and the commencement of the US IDE human clinical trials and validation of the manufacturing process. The financial forecast assumes no additional financing.

<u>Replication Medical</u>	Actual	Actual	Projected	Projected	Projected
(\$000)	FYE 12/01	FYE 12/02	FYE 12/03	FYE 12/04	FYE 12/05
Revenue	0	0	0	5,000	30,000
Cost of Goods Sold	0	0	0	2,170	13,250
R&D Expenses	1,163	1,255	2,377	3,250	2,750
G&A Expenses	266	324	451	1,080	2,350
Operating Income (Loss)	-1,429	-1,579	-2,828	-1,500	11,650
Net Income (Loss)	-1,385	-1,576	-2,780	-1,480	11,023

Outlook:

Spine is the fastest growing area in orthopedics and acquisitions in the space by the large players command premium multiples. Realizing that acquisition was the most likely form of exit for this investment, we persuaded management to add J&J and Synthes, two of the largest players in the orthopedic market, to the investor syndicate.

The combination of a large and growing market looking for new therapies, multiple potential acquirors, the efficient virtual company operational model, high products margins and the proprietary nature of the company's technology, lead us to be very excited about the prospects for our investment.

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

Structure-Based Design of Anti-Infective Agents

Period Summary: 1st Quarter 2003

Rib-X has made great progress during the quarter. The company came to terms on a substantial financing that will support operations for over three years, added another member to the senior management team and the scientific team continued to make positive progress toward the nomination of a lead compound for clinical development.

Much of management's attention this quarter has been concentrated on the expansion of the second round financing that held an initial close totaling \$12.5 million from the current investor syndicate in December 2002. We are happy to report that as the quarter ended, the company has come to terms on a \$62.5 million financing (including the \$12.5 million initial close) to be led by Warburg Pincus ("Warburg"). Warburg will contribute \$31 million towards the \$50 million second closing, with the existing investor group contributing the remaining \$19 million. CHP II will participate in the second closing for an additional \$1 million, bringing our total Series B investment to \$2.875 million. The financing is valued at the same valuation as our current investment and management expects to close the financing at the end of April. In the current financing environment, we could not have envisioned a better result for the company.

In February, Dr. Graham Johnson, PhD joined Rib-x as the Vice-President of Drug Discovery. Dr. Johnson brings 25 years of large pharmaceutical experience to this position, most recently from a twelve year career with Bristol-Myers Squibb where had held various senior management positions including Vice President for Wallingford and Canada Discovery Chemistry and Vice President for Neuroscience Biology. Prior to Bristol-Myers, Dr. Johnson had held increasingly senior positions with Parke-Davis in Ann Arbor Michigan and Hoechst in the United Kingdom. In joining the Rib- X team, Dr. Johnson is returning to his roots as an antibacterial chemist working in the area of penicillin research. Dr. Johnson is named as an inventor on more than 50 U.S. patents and has co-authored more than 50 published scientific papers.

The relatively short timeframe and the quality of investor interest during the fundraising effort have demonstrated a high level of credibility for the quality of the company's science and the focus of its management team. The company remains on target with its stated goal of bringing a lead compound into late preclinical development this year, to assure the filing of its' first IND in mid-2004. A significant milestone in the coming year will be the establishment of a corporate alliance with a major pharmaceutical company. With enough capital to operate for at least three years and likely through Phase II clinical trials for its lead compound, we are excited about the prospects for the company.

RIB-X PHARMACEUTICALS, INC. (cont.)

FINANCIAL RESULTS: (\$000)

Overview: (FYE 12/31)

	<i>2001 Actual</i>	<i>2002 Actual*</i>	<i>2003 Budget</i>
Revenues	0	0	0
R&D Expenses	593	5,283	8,080
Operating Expenses	828	2,192	3,929
EBIT	-1,421	-7,475	-12,009
Interest and Taxes	-11	-71	-153
Net Income	-1,432	-7,546	-12,162

* - Subject to Audit

Last Three Months: Quarter Ended March 31, 2003

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	0	0	0
R&D Expenses	2,108	2,363	+255
Operating Expenses	524	500	+24
EBIT	-2,632	-2,863	+231
Interest and Taxes	-70	-67	-3
Net Income	-2,702	-2,930	+228

Fiscal Year-to-Date: Three Months Ended March 31, 2003

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	0	0	0
R&D Expenses	2,108	2,363	+255
Operating Expenses	524	500	+24
EBIT	-2,632	-2,863	+231
Interest and Taxes	-70	-67	-3
Net Income	-2,702	-2,930	+228

RIB-X PHARMACEUTICALS, INC. (cont.)

Summary Balance Sheet as of March 31, 2003: (\$000)

Cash	\$ 9,338	Accounts Payable	\$ 736
Accounts Receivable	84	Accrued Expenses	0
Other Current Assets	<u>148</u>	Notes Payable Current	<u>640</u>
Total Current Assets	9,570	Total Current Liabilities	1,376
Net PP&E	6,087	Notes Payable	4,236
Intangibles (net)	0	Shareholders Equity	21,896
Other Assets	<u>248</u>	Retained Earnings	<u>-11,603</u>
Total Assets	<u>\$15,905</u>	Total Liabilities & Equity	<u>\$15,905</u>

Comments:

The company is slightly behind its cash plan due to an accelerated ramp-up of personnel. However, with the anticipated closing of an additional \$50 million in late April, the company will have sufficient funds to support operations for over three years.

CHP II, L.P. 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
Series B Convertible Preferred Stock	3,029,569 shares
Assigned Fair Value (cost)	\$1,875,000
Investment Cost	\$1,875,000
Cost per Share	\$0.6189
% Ownership (Full Dilution)	10.4%
Company Valuation at CHP II Cost	\$28.8 million
Company Valuation at Assigned Fair Value	\$28.8 million

Outlook:

Rib-X is building momentum and we are excited by its prospects.