

CHP II, L.P.
QUARTERLY REPORT
1st QUARTER, 2004

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CHP II, L.P.
QUARTERLY REPORT
1st QUARTER, 2004
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TO: The Limited Partners

FROM: John K. Clarke

DATE: May 26, 2004

SUBJECT: Activity for the Quarter Ended March 31, 2004

During the quarter, the CHP II portfolio continued to make good operational progress and we remain optimistic about the prospects of providing some liquidity to our partners in 2004. We also completed our 12th portfolio investment, with a \$2.8 million contribution to the first round financing for CodeRyte, Inc. The following are short summaries of activity for the quarter in each of our portfolio companies.

Alnylam Pharmaceuticals – Alnylam continued to strengthen its intellectual property portfolio, completing multiple strategic alliances and licensing agreements. Research and product development programs are progressing, with a specific focus on macular degeneration (AMD) and Parkinson’s disease. The company is currently evaluating several RNAi therapeutics in animal models and expects to begin a clinical trial for an AMD product candidate in 2005. During the quarter, the company also received a \$10 million equity investment from a strategic partner and filed for an initial public offering.

AthenaHealth – Athena exhibited strong financial performance for the first quarter of 2004. Revenues for the year grew by 12% over the prior quarter and sales set a new record at \$7.7 million. Gross margins grew from 40% to 45%, exceeding plan, but higher than budgeted sales commissions resulted in net income and EBITDA coming in on plan. Operating cash flow was positive for March and only -\$175k for the quarter. As the period ended, the company agreed to terms for a \$7.5 million equity infusion at a pre-money valuation of \$142 million. Athena will use the cash to accelerate programs in sales and marketing and for product development.

CardioOptics – Cardio-Optics concluded its technology improvement program this quarter, generating the image quality and consistency they initially targeted. The company will move from an R&D focus to product development over the next few months. Approval for human use will be pursued in parallel in both the United States and Europe. The goal is to begin human testing by the end of 2004, with the objective of validating the potential of the Trans-Blood Vision™ (“TBV”) technology and stimulate market interest. In order to support this plan of operation, the current investor syndicate has agreed to a \$3 million extension of the Series A financing.

IntelliCare America – Financial performance was affected by the lower call volumes caused by a milder than anticipated flu season. The company has also suffered from higher than anticipated customer attrition and longer sales and implementation cycles. This will have a significant effect on revenue for the coming quarter and into Q3. Management has reacted swiftly to reduce monthly expenditures by \$150k going forward and with the implementation of a number of margin improvement initiatives. As the period came to a close, the investors and the Board have decided to select an investment banker to manage the sale of the company.

Mobile Medical – Positive sequential financial results in terms of revenues, gross margins and overhead expenditures were dampened by lower than budgeted revenue growth and missing the net income target. Operational restructuring has been completed in human resources to improve controls and reduce costs. Other initiatives to better align care provider compensation plans with corporate financial and clinical objectives will be completed in May 2004. Management is clearly focused on three goals for the remainder of 2004, same-store revenue growth, cost management and development of strategic opportunities to grow the business more aggressively.

Molecular Mining – The company has legally been dissolved, with the only remaining outstanding issue being the sale or licensing of the company's intellectual property. That process has begun and is expected to be completed during 2004. Overall, we expect a return of \$100-\$250K from our investment, with \$70k received to-date.

Momenta – During the quarter, management completed one of their primary goals for 2004, a \$20.5 million financing. Other accomplishments included the development of a comprehensive plan for manufacturing, regulatory and legal issues in preparation for filing an abbreviated new drug application (ANDA) for its lead drug candidate, M-Enoxaparin (M-Enox), a generic form of heparin. Momenta also continued to make progress in its other drug development programs. Finally, in mid-March, the company filed for an initial public offering of its securities.

Replication Medical – Replication's product development for its implantable disk nucleolus made reasonable progress through the first quarter. The company continues to attract industry wide attention as the most promising surgical solution for minimally invasive treatment of degenerative disk disease. Progress has been mixed on the patient trials being conducted in Europe: on one hand the clinical results have been very positive, but the pace of the trials and the rate of patient enrollment has been disappointing. Since the filing of CE mark in Europe is dependant on completion of this trial, we are concerned that this date may slip. As the quarter ended, the company received an unsolicited but relatively attractive financing offer.

Rib-X Pharmaceuticals – The Rib-X scientific team has identified a lead compound to be RX-01, the code-named lead scientific program. In the last two months, the company made good progress, advancing the program on several fronts; 1) toxicity, 2) analytical; 3) metabolism and 4) process chemistry. The goal remains an Investigational New Drug (IND) filing with the FDA in 2004. Financially, the company continues to perform ahead of budget in all areas. As the quarter ended, the company successfully recruited a Vice President of Business Development and a Senior Director of Regulatory Affairs, completing the management recruiting goals for 2004.

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

Deal Flow:

During the quarter, we have reviewed 79 business proposals. Current "A" deals include: Alimera Sciences, Caregain, XLHealth, Aureus Vision and Thermal Vision. An alphabetical list of all deals received with a brief business description, deal source and deal status is included in the Appendix to this report.

Financial Results:

There were two capital calls during the period for a total of \$6.75 million. Utilization of these funds included the \$2.5 million investment in Momenta, the \$2.8 million investment in CodeRyte, and the payment of fund fees and expenses. As of March 31, 2004, cumulative capital contributions stand at \$65.5 million or 56% of total commitments. Cash at the end of the period was \$778,436 and net assets totaled \$51.8 million. Net income for the quarter was \$7.5 million, consisting of \$742K in net operating expenses and \$8.2 million in unrealized portfolio gains. The unrealized gains for the period were \$1.7 million related to the mark-up associated with the strategic investment by ISIS in Alnylam plus \$6.5 million related to the third round financing for Momenta.

Looking forward:

With two of our portfolio company's filing for an initial public offering during the quarter, we are very hopeful of creating some meaningful liquidity for our partners during 2004.

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, 2004

	Three Months Ended 03/31/04
Revenue:	
Non Portfolio Income	\$64
Interest-Equivalent Amounts	0
Expenses:	
Management Fee	734,217
Professional Fees	9,954
NVCA Dues & Expenses	0
Amortization of Organization Costs	0
Annual Meeting & Miscellaneous	2,750
Total Expenses	746,921
Net Operating Expense	(746,857)
Investment Income	5,002
Net Income Before Gains (Losses)	(741,855)
Realized Gains (Losses)	0
Unrealized Gains (Losses)	8,197,848
Net Income (Loss)	\$7,455,993

,CHP II, L.P.
Balance Sheet
As of March 31, 2004

ASSETS:	Period Ended 03/31/04	Period Ended 12/31/03
Cash and Short-Term Investments	\$778,436	\$86,384
Accrued Interest	45,673	40,671
Venture Capital Investments	50,738,783	37,261,724
Organization Costs (Net of Accum. Amortization)	0	0
Other Assets	312,537	279,125
	<u>\$51,875,429</u>	<u>\$37,667,904</u>
 LIABILITIES & CAPITAL:		
Accrued Expenses and Payables	\$33,054	\$31,521
Partners' Accounts	51,842,375	37,636,383
Total Liabilities and Capital	<u>\$51,842,429</u>	<u>\$37,667,904</u>

CHP II, L.P.
Footnotes
As of March 31, 2004

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	03/31/04	12/31/03
	<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	03/31/04	12/31/03
	<u> </u>	<u> </u>
GP Promissory Note Principal	\$311,187	\$279,125
Prepaid NJ State Filing Fees	1,350	0
Total	<u> \$312,537 </u>	<u> \$279,125 </u>

Note 4 – Accrued Expenses	03/31/04	12/31/03
	<u> </u>	<u> </u>
Professional Fees	\$28,954	\$19,000
NVCA Dues & Annual Meeting	0	12,521
Other Accrued Expenses	4,100	0
Total	<u> \$33,054 </u>	<u> \$31,521 </u>

CHP II, L.P.
Statement of Cash Flows
For the Period Ended March 31, 2004

	Three Months Ended 03/31/04
Cash flows from operating activities	
Net Income Before Gains (Losses)	(\$741,855)
Adjustments to reconcile net income before gains (losses) to net cash used in operating activities:	
Accrued Interest Receivable	(5,003)
Accrued Organization Costs	0
Other Assets	(1,350)
Accrued Expenses & Payables	1,533
Net Cash used in Operating Activities	(746,675)
Cash flows from investing activities	
Purchases of venture capital investments	(5,280,008)
Sales of venture capital investments	797
Net cash used in investing activities	(5,279,211)
Cash flows from financing activities	
Cash contributions by partners	6,717,938
Cash distribution to partners	0
Net cash provided by financing activities	6,717,938
 Net Change in Cash and Short Term Investments	 692,052
Cash and Short Term Investments, beginning	86,384
Cash and Short Term Investments, ending	\$778,436

CHP II, L.P.
Schedule of Venture Capital Investments
As of March 31, 2004

Company	Debt	Equity	Total Cost	Fair Value	Unrealized Gain (Loss)
Alnylam Pharmaceuticals	\$0	\$7,564,015	\$7,564,015	\$15,084,015	\$7,520,000
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
CodeRyte, Inc.	0	2,780,004	2,780,004	2,780,004	0
IntelliCare America, Inc.	0	4,000,000	4,000,000	2,464,585	(1,535,415)
Mobile Medical Industries	0	4,000,000	4,000,000	4,000,000	0
Molecular Mining Corp.	0	1,438,509	1,438,509	29,449	(1,409,060)
Momenta Pharmaceuticals, Inc.	0	6,375,006	6,375,006	12,880,729	6,505,723
Replication Medical	0	2,500,000	2,500,000	2,500,000	0
Rib-X Pharmaceuticals	0	4,000,000	4,000,000	4,000,000	0
Totals	\$0	\$39,657,535	\$39,657,535	\$50,738,783	\$11,081,248

CHP II, L.P.
Statement of Partners' Contributions Accounts
As of March 31, 2004

	Partners' Total Subscription	Contributions Account 12/31/03	Period Contribution in Cash	Period Contribution by Note	Contributions Account 03/31/04	Partners' Outstanding Subscription
<u>Limited Partners</u>						
State Teachers Ret. System of Ohio	\$30,000,000	\$15,006,609	\$1,723,775	\$0	\$16,730,384	\$13,269,616
Nassau Capital Funds	10,000,000	5,002,203	574,591	0	5,576,794	4,423,206
Robert Wood Johnson Foundation	10,000,000	5,002,203	574,591	0	5,576,794	4,423,206
Northwestern University	10,000,000	5,002,203	574,591	0	5,576,794	4,423,206
LACERA	10,000,000	5,002,203	574,591	0	5,576,794	4,423,206
Textron Master Trust	10,000,000	5,002,203	574,591	0	5,576,794	4,423,206
Wachovia Investors, Inc. (First Union)	7,500,000	3,751,653	430,943	0	4,182,596	3,317,404
Pension Commissioners of City of LA	5,000,000	2,501,103	287,296	0	2,788,399	2,211,601
Princess Private Equity	5,000,000	2,501,103	287,296	0	2,788,399	2,211,601
Hillside Capital Incorporated	3,500,000	1,750,768	201,109	0	1,951,877	1,548,123
Hamilton Lane-Carpenters Fund	3,000,000	1,500,661	172,378	0	1,673,039	1,326,961
UNISYS Master Trust	3,000,000	1,500,661	172,378	0	1,673,039	1,326,961
Venture Investment Associates III, L.P.	2,300,000	1,150,507	132,156	0	1,282,663	1,017,337
Fleet Growth Resources (Summit)	2,000,000	1,000,441	114,918	0	1,115,359	884,641
S.R. One Limited	2,000,000	1,000,441	114,918	0	1,115,359	884,641
Pharma BioDevelopment, Inc.	2,000,000	1,000,441	114,918	0	1,115,359	884,641
Private Equity Holdings II, Ltd.	1,000,000	500,219	57,460	0	557,679	442,321
	\$116,300,000	\$58,175,622	\$6,682,500	\$0	\$64,858,122	\$51,441,878
<u>General Partner</u>						
CHP II Management, LLC.	1,174,747	587,633	35,438	32,062	655,133	519,614
Total Partnership	\$117,474,747	\$58,763,255	\$6,717,938	\$32,062	\$65,513,255	\$51,961,492

CHP II, L.P.
Statement of Partners' Distributive Share of Net Assets
For the Period Ended March 31, 2004

	Private Securities	Public Securities	Cash	Other Assets	Total Assets	Accrued Expenses	Net Assets 03/31/04
<u>Limited Partners</u>							
State Teachers Ret. System of Ohio	\$12,957,370	\$0	\$198,793	\$91,477	\$13,247,640	(\$8,441)	\$13,239,199
Nassau Capital Funds	4,319,122	0	66,264	30,493	4,415,879	(2,814)	4,413,065
Robert Wood Johnson Foundation	4,319,122	0	66,264	30,493	4,415,879	(2,814)	4,413,065
Northwestern University	4,319,122	0	66,264	30,493	4,415,879	(2,814)	4,413,065
LACERA	4,319,122	0	66,264	30,493	4,415,879	(2,814)	4,413,065
Textron Master Trust	4,319,122	0	66,264	30,493	4,415,879	(2,814)	4,413,065
Wachovia Investors, Inc. (First Union)	3,239,343	0	49,698	22,869	3,311,910	(2,110)	3,309,800
Pension Commissioners of City of LA	2,159,564	0	33,132	15,245	2,207,941	(1,407)	2,206,534
Princess Private Equity	2,159,564	0	33,132	15,245	2,207,941	(1,407)	2,206,534
Hillside Capital Incorporated	1,511,692	0	23,192	10,672	1,545,556	(984)	1,544,572
Hamilton Lane-Carpenters Fund	1,296,736	0	19,879	9,148	1,324,763	(844)	1,323,919
UNISYS Master Trust	1,295,736	0	19,879	9,148	1,324,763	(844)	1,323,919
Venture Investment Associates III, L.P.	993,397	0	15,241	7,013	1,015,651	(647)	1,015,004
Fleet Growth Resources (Summit)	863,824	0	13,253	6,099	883,176	(563)	882,613
S.R. One Limited	863,824	0	13,253	6,099	883,176	(563)	882,613
QFinance (Pharma BioDevelopment)	863,824	0	13,253	6,099	883,176	(563)	882,613
Private Equity Holdings II, Ltd.	431,911	0	6,626	3,049	441,586	(281)	441,305
	\$50,231,395	\$0	\$770,651	\$354,628	\$51,356,674	(\$32,724)	\$51,323,950
<u>General Partner</u>							
CHP II Management, LLC.	507,388	0	7,785	3,582	518,755	(330)	518,425
Total Partnership	\$50,738,783	\$0	\$778,436	\$358,210	\$51,875,429	(\$33,054)	\$51,842,375

CHP II, L.P.
Statement of Partners' Capital Accounts *
For the Three Months Ended March 31, 2004

<u>Limited Partner</u>	Partners' Capital 01/01/04	Net Capital Contribution	Non-Portfolio Income	Net Investment Income	Realized Gains (Losses)	Total Income	Unrealized Gains (Losses)	Distributions	Partners' Capital 03/31/04
State Teachers Ret. System of Ohio	\$9,611,356	\$1,723,775	\$17	(\$189,467)	\$0	(\$189,450)	\$2,093,518	\$0	\$13,239,199
Nassau Capital Funds	3,203,786	574,591	5	(63,156)	0	(63,151)	697,839	0	4,413,065
Robert Wood Johnson Foundation	3,203,786	574,591	5	(63,156)	0	(63,151)	697,839	0	4,413,065
Northwestern University	3,203,786	574,591	5	(63,156)	0	(63,151)	697,839	0	4,413,065
Textron Master Trust	3,203,786	574,591	5	(63,156)	0	(63,151)	697,839	0	4,413,065
LACERA	3,203,786	574,591	5	(63,156)	0	(63,151)	697,839	0	4,413,065
Wachovia Investors (First Union)	2,402,840	430,943	4	(47,366)	0	(47,362)	523,379	0	3,309,800
Pension Commissioners-City of LA	1,601,893	287,296	3	(31,578)	0	(31,575)	348,920	0	2,206,534
Princess Private Equity	1,601,893	287,296	3	(31,578)	0	(31,575)	348,920	0	2,206,534
Hillside Capital Incorporated	1,121,321	201,109	2	(22,104)	0	(22,102)	244,244	0	1,544,572
Hamilton Lane-Carpenters Fund	961,134	172,378	2	(18,946)	0	(18,944)	209,351	0	1,323,919
UNISYS Master Trust	961,134	172,378	2	(18,946)	0	(18,944)	209,351	0	1,323,919
Venture Investment Associates III	736,870	132,156	1	(14,526)	0	(14,525)	160,503	0	1,015,004
Fleet Growth Resources	640,757	114,918	1	(12,631)	0	(12,630)	139,568	0	882,613
S.R. One Limited	640,757	114,918	1	(12,631)	0	(12,630)	139,568	0	882,613
QFinance (Pharma BioDevelopment)	640,757	114,918	1	(12,631)	0	(12,630)	139,568	0	882,613
Private Equity Holdings II, Ltd.	320,376	57,460	1	(6,316)	0	(6,315)	69,784	0	441,305
<u>General Partner</u>	\$37,260,018	\$6,682,500	\$63	(\$734,500)	\$0	(\$734,437)	\$8,115,869	\$0	\$51,323,950
CHP II Management, LLC.	97,240	35,438	1	(7,420)	0	(7,419)	81,979	0	207,238
Total Partnership	\$37,357,258	\$6,717,938	\$64	(\$741,920)	\$0	(\$741,856)	\$8,197,848	\$0	\$51,531,188

*-Statement of Partners' Capital 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, 2004

	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	\$16,730,384	\$16,724	(\$3,017,738)	(\$3,320,034)	(\$6,321,048)	\$2,829,863	\$0	\$13,239,199
Nassau Capital Funds	5,576,794	5,575	(1,005,913)	(1,106,679)	(2,107,017)	943,288	0	4,413,065
Robert Wood Johnson Foundation	5,576,794	5,575	(1,005,913)	(1,106,679)	(2,107,017)	943,288	0	4,413,065
Northwestern University	5,576,794	5,575	(1,005,913)	(1,106,679)	(2,107,017)	943,288	0	4,413,065
LACERA	5,576,794	5,575	(1,005,913)	(1,106,679)	(2,107,017)	943,288	0	4,413,065
Textron Master Trust	5,576,794	5,575	(1,005,913)	(1,106,679)	(2,107,017)	943,288	0	4,413,065
Wachovia Investors, Inc. (First Union)	4,182,596	4,182	(754,434)	(830,009)	(1,580,261)	707,465	0	3,309,800
Pension Commissioners of City of LA	2,788,399	2,788	(502,957)	(553,341)	(1,053,510)	471,645	0	2,206,534
Princess Private Equity	2,788,399	2,788	(502,957)	(553,341)	(1,053,510)	471,645	0	2,206,534
Hillside Capital Incorporated	1,951,877	1,950	(352,069)	(387,338)	(737,457)	330,152	0	1,544,572
Hamilton Lane-Carpenters Fund	1,673,039	1,673	(301,774)	(332,004)	(632,105)	282,985	0	1,323,919
UNISYS Master Trust	1,673,039	1,673	(301,774)	(332,004)	(632,105)	282,985	0	1,323,919
Venture Investment Associates III	1,282,663	1,282	(231,361)	(254,536)	(484,615)	216,956	0	1,015,004
Fleet Growth Resources (Summit)	1,115,359	1,115	(201,182)	(221,336)	(421,403)	188,657	0	882,613
S.R. One Limited	1,115,359	1,115	(201,182)	(221,336)	(421,403)	188,657	0	882,613
QFinance (Pharma BioDevelopment)	1,115,359	1,115	(201,182)	(221,336)	(421,403)	188,657	0	882,613
Private Equity Holdings II, Ltd.	557,679	558	(100,592)	(110,668)	(210,702)	94,328	0	441,305
<u>General Partner</u>								
CHP II Management, LLC.	\$64,858,122	\$64,838	(\$11,698,767)	(\$12,870,678)	(\$24,504,607)	\$10,970,435	\$0	\$51,323,950
	655,133	656	(118,171)	(130,006)	(247,521)	110,813	0	518,425
Total Partnership	\$65,513,255	\$65,494	(\$11,816,938)	(\$13,000,684)	(\$24,752,128)	\$11,081,248	\$0	\$51,842,375

TO: The Limited Partners

FROM: John J. Park

DATE: April 15, 2004

SUBJECT: Portfolio Valuations for March 31, 2004

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 as proposed by the General Partner for those investments not valued at cost as of March 31, 2004.

ALNYLAM PHARMACEUTICALS – In July 2002, Alnylam completed a \$15.4 million first round financing at \$2.50 per share. New investor Atlas Ventures led the financing, with CHP II contributing \$3.25 million. In July 2003, the company completed a \$24.5 million financing, also priced at \$2.50 per share, including \$7.9 million from one new investor, Abingworth Capital, and with CHP II investing \$2.85 million. In September 2003, Alnylam completed a strategic partnership with Merck & Co., including a \$10 million equity investment by Merck priced at \$5.00 per share. In October 2003, the investor syndicate invested \$2.5 million alongside the Merck investment, with CHP II investing \$464K. In February 2004, Alnylam completed a strategic partnership with ISIS Pharmaceuticals, including a \$10 million equity investment priced at \$6.00 per share. In accordance with the valuation policy of CHP II, due to the strategic nature of the ISIS investment, we propose to value the Series A and Series B investment at \$4.25 per share, representing 50% of the increase from the previous non-strategic financing of \$2.50 per share and the ISIS price of \$6.00 per share. The Series C investment remains valued at cost. This results in a total valuation for Alnylam of \$15,084,015, with an unrealized gain of \$7,520,000 on our cost basis of \$7,564,015 as of March 31, 2004. This valuation represents an increase of \$1,720,000 from the valuation as of December 31, 2003.

Value Computation:

Series A Convertible Preferred Stock		
1,000,000 shares x \$4.25	=	\$ 4,250,000
Series B Convertible Preferred Stock		
2,440,000 shares x \$4.25	=	10,370,000
Series C Convertible Preferred Stock		
92,803 shares x \$5.00	=	<u>464,015</u>
Total Value		<u>\$15,084,015</u>

CHP II, L.P.**Portfolio Valuations as of March 31, 2004****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, 2004. This valuation represents no change from the valuation as of December 31, 2003.

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>
Total Value		<u>\$2,464,585</u>

MOLECULAR MINING - During the first quarter of 2003, as the result of an inability to attain additional outside financing and the lack of sufficient operational progress, management and the Board of Directors decided to cease operations and sell the assets of the company. Consequently, we reduced the carrying value of our investment to \$100,000, reflecting a conservative estimate of our share of the Series B Preferred proceeds from liquidation. Since December 2003, the company has distributed \$70,551 to CHP II, representing our share of the distribution of liquidation proceeds to-date. As a result, we have reduced the carrying value for the investment to \$29,449 (\$100,000 - \$70,551). At this valuation, our investment shows an unrealized loss of \$1,409,060 on a remaining cost basis of \$1,438,509 as of March 31, 2004. Reflecting the funds received during the quarter, this valuation represents a decrease of \$797 from our carrying value as of December 31, 2003.

Value Computation:

Series B Convertible Preferred Stock		
737,422 shares	=	<u>\$29,449</u>

CHP II, L.P.

Portfolio Valuations as of March 31, 2004

Page 3 of 3

MOMENTA PHARMACEUTICALS – In February 2004, Momenta completed a \$20.5 million third round financing at \$7.8463 per share led by new investor Mithra Ventures. CHP II invested \$2.5 million in the financing, which also included current co-investors, Atlas Ventures, Polaris Venture Partners and MVM Limited. We propose to value our investment on the basis of this financing at \$7.8463 per share. This results in a total carrying value of \$12,880,729 for the Momenta investment, with a corresponding unrealized gain of \$6,505,723 on our cost basis of \$6,375,006 as of March 31, 2004. Including the \$2.5 million invested during the period, this valuation represents an increase of \$8,977,852 from our carrying value as of December 31, 2003.

Value Computation:

Series A Convertible Preferred Stock		
348,432 shares x \$7.8463	=	\$2,733,902
Series B Convertible Preferred Stock		
974,577 shares x \$7.8463	=	7,646,823
Series C Convertible Preferred Stock		
318,622 shares x \$7.8463	=	<u>2,500,004</u>
Total Value		<u>\$12,880,729</u>

CHP II, L.P.
Portfolio Investment Valuation Summary
For the Quarter ended March 31, 2004

<u>Portfolio Company</u>	<u>Investment</u>	<u>Fair Value 03/31/04</u>	<u>Fair Value 12/31/03</u>	<u>Change from Prior Quarter</u>	<u>Reason for Change</u>
Alnylam Pharmaceuticals, Inc.	\$7,564,015	\$15,084,015	\$13,364,015	\$1,720,000	New Strategic Financing (note 1)
AthenaHealth, Inc.	\$5,000,001	\$5,000,001	\$5,000,001	\$0	
CardioOptics, Inc.	\$2,000,000	\$2,000,000	\$2,000,000	\$0	New Investment (note 2)
CodeRyte, Inc.	\$2,780,004	\$2,780,004	\$0	\$2,780,004	
Intellicare America, Inc.	\$4,000,000	\$2,464,585	\$2,464,585	\$0	Partial Receipt of Dissolution Proceeds
Mobile Medical Industries	\$4,000,000	\$4,000,000	\$4,000,000	\$0	
Molecular Mining Corporation	\$1,438,509	\$29,449	\$30,246	(\$797)	New Financing & Follow-on Investment (note 3)
Momenta Pharmaceuticals	\$6,375,006	\$12,880,729	\$3,902,877	\$8,977,852	
Replication Medical	\$2,500,000	\$2,500,000	\$2,500,000	\$0	
Rib-X Pharmaceuticals	\$4,000,000	\$4000,000	\$4000,000	\$0	
Total Portfolio	\$39,657,535	\$50,738,783	\$37,261,724	\$13,477,059	

1. In March, Alnylam completed a strategic alliance with ISIS Pharmaceuticals that included a \$10 million equity investment by ISIS priced at \$6.00 per share. As this was a strategic investment, the Alnylam Series A and Series B investment are now valued at \$4.25 per share, representing the mid-point between \$2.50 and \$6.00. The Series C investment remains valued at its investment cost of \$5.00 per share.
2. On March 30, 2004, CHP II contributed \$2.78 million to a \$12 million first round financing for CodeRyte, Inc. The financing was led by Venrock Associates and also included Polaris Venture Partners. The effective pre-money value for the financing was \$6.5 million.
3. On February 27, 2004, CHP II contributed \$2.5 million to the \$20.5 million third round financing for Momenta Pharmaceuticals. The financing was led by new investor Mithra Ventures and values the company at \$123 million post-money.

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

Therapeutics Based on the Novel Biological Mechanism of RNA Interference

Period Summary: 1st Quarter 2004

Alnylam continued to strengthen its intellectual property portfolio, completing multiple strategic alliances and licensing agreements. Research and product development programs are progressing, with a specific focus on macular degeneration (AMD) and Parkinson's disease. The company is currently evaluating several RNAi therapeutics in animal models and expects to begin a clinical trial for an AMD product candidate in 2005. During the quarter, the company also received a \$10 million equity investment from a strategic partner and filed for an initial public offering.

In January, Alnylam entered into a research alliance and licensing agreement with Cenix, a German based leading provider of research based RNAi services. Under the terms of the agreement, Cenix was granted a non-exclusive license to market research services under a fundamental patent in RNA interference (RNAi), and will pay annual fees and royalties on sales of licensed services. Alnylam will also benefit from Cenix's leading expertise in the design and testing of small interfering RNAs (siRNAs).

In March, Alnylam entered into a collaboration and license agreement with Isis, a leading developer of antisense drugs that target RNA. Under the terms of the agreement, Isis licensed to Alnylam its patent estate relating to antisense mechanisms and oligonucleotide chemistry for double stranded RNAi therapeutics. Access to this technology will be exclusive to Isis and Alnylam. The agreement also included a \$10 million equity investment in Alnylam by Isis priced at \$6.00 per share.

The company currently has \$24.3 million in cash. Research and product development programs are ramping quickly, with R&D expenditures increasing \$3 million over the prior quarter. Management forecasts the average monthly operating cash burn to build past \$2 million by mid-2004. To support this growth, the company will need to raise additional capital during 2004. At the end of February, the company filed for an initial public offering. The offering is being led by Bank of America Securities, with CitiGroup, Piper Jaffray and Think Equity acting as co-managers. We anticipate the offering will be completed by the end of May. In addition, management expects to complete additional strategic partnerships during the year that will likely contain a significant financing component.

With a strong management team, a solid IP platform, and a strong investor syndicate, Alnylam has positioned itself as the clear leader in its field. The chief goals for 2004 remain; advancement of its lead drug development program towards a clinical trial, completion of 2 more significant strategic partnerships, a continued consolidation of their industry leading patent portfolio, and the completion of a new financing.

ALNYLAM PHARMACEUTICALS (cont.)

FINANCIAL RESULTS: (\$000)

Overview: (FYE 12/31)

	<i>2002 Actual</i>	<i>2003 Actual</i>	<i>2004 Budget*</i>
Revenues	0	176	8,167
R&D Expenses	3,342	13,097	22,492
Purchased In-Process R&D	0	4,609	0
SG&A Expenses	880	7,527	6,106
EBIT	-4,222	-25,057	-20,431
Interest and Taxes	86	24	-201
Net Income	-4,136	-25,033	-20,632

* - Budget Revised in April 2004

Last Three Months: Quarter Ended March 31, 2004

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	134	183	-49
R&D Expenses	8,711	3,905	-4,806
SG&A Expenses	2,524	1,984	-540
EBIT	-11,101	-5,706	-5,395
Interest and Taxes	-250	-25	-225
Net Income	-11,351	-5,731	-5,620

Fiscal Year-to-Date: Three Months Ended March 31, 2004

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	134	183	-49
R&D Expenses	8,711	3,905	-4,806
SG&A Expenses	2,524	1,984	-540
EBIT	-11,101	-5,706	-5,395
Interest and Taxes	-250	-25	-225
Net Income	-11,351	-5,731	-5,620

ALNYLAM PHARMACEUTICALS (cont.)

Summary Balance Sheet as of March 31, 2004: (\$000)

Cash	\$ 24,279	Accounts Payable	\$ 3,636
Accounts Receivable	0	Accrued Expenses	4,141
Other Current Assets	<u>620</u>	Deferred Revenue	<u>1,888</u>
Total Current Assets	24,899	Total Current Liabilities	9,665
Net PP&E	8,961	Long Term Debt - Lease line	1,879
Intangibles (Net)	3,760	Shareholders Equity	79,400
Other Assets	<u>1,719</u>	Retained Earnings	<u>-51,605</u>
Total Assets	<u>\$ 39,339</u>	Total Liabilities & Equity	<u>\$ 39,339</u>

Comments:

Monthly cash burn is forecast to scale to \$2 million by mid-2004. Current capital is sufficient to support operations through Q2 of 2005. Management is exploring multiple avenues of financing and the company has filed for an initial public offering of its securities.

CHP II, L.P. Holdings:

Series A Convertible Preferred Stock	1,000,000 shares
Assigned Fair Value (1,000,000 x \$4.25)	\$4,250,000
Investment Cost	\$1,000,000
Cost per Share	\$1.00
Series B Convertible Preferred Stock	2,440,000 shares
Assigned Fair Value (2,440,000 x \$4.25)	\$10,370,000
Investment Cost	\$6,100,000
Cost per Share	\$2.50
Series C Convertible Preferred Stock	92,803 shares
Assigned Fair Value	Investment Cost
Investment Cost	\$464,015
Cost per Share	\$5.00
% Ownership (Full Dilution)	10.2%
Company Valuation at CHP II Cost	\$74.1 million
Company Valuation at Assigned Fair Value	\$149.0 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 2004

Athena exhibited strong financial performance for the first quarter of 2004. Revenues for the year grew by 12% over the prior quarter and sales set a new record at \$7.7 million. Gross margins grew from 40% to 45%, exceeding plan, but higher than budgeted sales commissions resulted in net income and EBITDA coming in on plan. Operating cash flow was positive for March and only -\$175k for the quarter. As the period ended, the company agreed to terms for a \$7.5 million equity infusion at a pre-money valuation of \$142 million. Athena will use the cash to accelerate programs in sales and marketing and for product development.

Revenue was on plan for the quarter, despite low implementations. Implementations for the quarter totaled \$1.4 million, far short of the \$2.3 million budgeted for the period. This gap is expected to close in the next quarter. Gross margin exceeded plan by 15% and showed improvement in each month of the quarter. Expenses are higher than plan primarily due to accelerated sales and marketing expenditures. New contract signings during the period were more than twice what was budgeted. The pipeline for the next quarter is equally strong, with more than \$6.8 million in new contract signings forecast to be completed during the period.

Athena's current annualized revenue run rate is \$33 million, on a contract base of \$44 million. The company is operating at positive EBITDA, with sustainable profitability attainable in the next 3-6 months. During the quarter, the company agreed to a \$7.5 million equity financing led by Granite Global Ventures. The financing carries a pre-money value of \$142 million and will be completed in the first half of April. The company has a strong balance sheet, a robust recurring revenue model and strong margins; Athena is an attractive candidate for a liquidity event in the next 12-15 months. We remain very excited about the prospects for the Athena investment.

ATHENAHEALTH, INC. (cont.)

FINANCIAL RESULTS: (\$000)

Overview: (FYE 12/31)

	<i>2001 Actual</i>	<i>2002 Actual</i>	<i>2003 Actual</i>	<i>2004 Budget</i>
Revenues	3,459	11,985	24,666	40,196
Direct Expenses	6,480	10,137	16,148	22,679
SG&A	9,278	8,860	10,501	13,737
EBITDA	-12,299	-7,012	-1,983	-3,780
Depreciation	1,636	2,493	2,894	3,500
Interest and Taxes	855	-55	-475	-837
Net Income	-13,080	-9,560	-5,352	-557

Last Three Months: Quarter Ended March 31, 2004

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	8,222	8,258	-36
Direct Expenses	4,712	5,204	+492
SG&A	3,337	2,871	-466
EBITDA	173	183	-10
Depreciation	772	785	+13
Interest and Taxes	-221	-205	-16
Net Income	-820	-807	-13

Fiscal Year-to-Date: Three Months Ended March 31, 2004

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	8,222	8,258	-36
Direct Expenses	4,712	5,204	+492
SG&A	3,337	2,871	-466
EBITDA	173	183	-10
Depreciation	772	785	+13
Interest and Taxes	-221	-205	-16
Net Income	-820	-807	-13

ATHENAHEALTH, INC. (cont.)

Summary Balance Sheet as of March 31, 2004: (\$000)

Cash	\$ 8,985	A/P and Accrued Expenses	\$ 3,066
Accounts Receivable	3,877	Deferred Revenue	2,163
Other Current Assets	<u>476</u>	Current Portion of Debt	<u>4,444</u>
Total Current Assets	13,338	Total Current Liabilities	9,673
Net PP&E	3,207	Long Term Debt	7,242
Intangibles (Net)	2,068	Shareholders Equity	43,633
Other Assets	<u>238</u>	Retained Earnings	<u>-41,697</u>
Total Assets	<u>\$18,851</u>	Total Liabilities & Equity	<u>\$18,851</u>

Comments:

Athena is well ahead of its cash flow forecast for the year due to lower than anticipated capital investment. The cash balance above does not reflect the \$7.5 million financing that closed in early April. With the closing of this financing, Athena has a strong balance sheet to support its building infrastructure investment. Operational cash burn will be minimal for the coming quarter and turn solidly positive in the second half of the year.

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 2004

Cardio-Optics concluded its technology improvement program this quarter, generating the image quality and consistency they initially targeted. The company will move from an R&D focus to product development over the next few months. Approval for human use will be pursued in parallel in both the United States and Europe. The goal is to begin human testing by the end of 2004, with the objective of validating the potential of the Trans-Blood Vision™ (“TBV”) technology and stimulate market interest. In order to support this plan of operation, the current investor syndicate has agreed to a \$3 million extension of the Series A financing.

The technology program initiated last May is producing very encouraging and consistent results. The technology team will continue to work on improvements to the stability and quality of the images over the next few months, while developing a device suitable for use in human testing and FDA 510(k) approval. The key milestones for the company over the next 6 months will be to design and implement a limited number of functionally equivalent products suitable for 501(k) submission, initiate human testing, and submission of a 510(k) and its equivalent in Europe.

Financial results for the quarter reflect the reduced cash burn plan that was put into effect in June of last year. Monthly cash burn has been reduced below \$120K. The investor syndicate has agreed to provide \$3 million in financing to support the product development plan and up to 50 human test cases. The terms of the financing are simply extending the Series A Convertible Preferred, with each investor participating to their previously agreed commitment. The \$3 million is expected to last into Q3 2005. The company will be looking to raise additional financing from investors or strategic partners in spring of 2005.

We are encouraged by the results of the technology improvement program, but multiple potential strategic partners have told the company they need to be closer to having a product before their interest would be peaked. Management is diligently pursuing this path and we remain upbeat about the prospects for success at Cardio-Optics.

CARDIO-OPTICS, INC. (cont.)

FINANCIAL RESULTS: (\$000)

Overview: (FYE 12/31)

	<i>2001 Actual</i>	<i>2002 Actual</i>	<i>2003 Actual*</i>	<i>2004 Budget**</i>
Revenues	0	0	0	0
Cost of Sales	0	0	0	0
R&D Expenses	451	1,000	1,031	1,527
SG&A	618	1,527	1,036	1,209
EBIT	-1,069	-2,527	-2,067	-2,736
Interest and Taxes	5	23	-31	20
Net Income	-1,064	-2,504	-2,098	-2,716

*- Subject to Audit

Last Three Months: Quarter Ended March 31, 2004

	<i>Actual</i>	<i>Budget**</i>	<i>Variance</i>
Revenues	0	0	0
Cost of Sales	0	0	0
R&D Expenses	139	148	+9
SG&A	180	184	+4
EBIT	-319	-332	+13
Interest and Taxes	1	0	+1
Net Income	-318	-332	+14

Fiscal Year-to-Date: Three Months Ended March 31, 2004

	<i>Actual</i>	<i>Budget**</i>	<i>Variance</i>
Revenues	0	0	0
Cost of Sales	0	0	0
R&D Expenses	139	148	+9
SG&A	180	184	+4
EBIT	-319	-332	+13
Interest and Taxes	1	0	+1
Net Income	-318	-332	+14

** - 2004 Budget Approved in April 2004

CARDIO-OPTICS, INC. (cont.)

Summary Balance Sheet as of March 31, 2004: (\$000)

Cash	\$ 384	Accounts Payable	\$ 21
Accounts Receivable	0	Accrued Expenses	164
Other Current Assets	<u>0</u>	Other Current Liabilities	<u>0</u>
Total Current Assets	384	Total Current Liabilities	185
Net PP&E	96	Long Term Debt - Lease line	11
Intangibles (Net)	0	Shareholders Equity	7,422
Other Assets	<u>72</u>	Retained Earnings	<u>-7,066</u>
Total Assets	<u>\$ 552</u>	Total Liabilities & Equity	<u>\$ 552</u>

Comments:

The current investor group has agreed to provide \$3 million in financing as an extension to the Series A round completed in October 2002. This financing will provide the company with sufficient funding to likely complete a 510(k) approval process and a through a first series of human testing. The financing will close next quarter.

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:

We are enthusiastic about the prospects for Cardio-Optics.

TO: The Limited Partners

FROM: The General Partner

DATE: March 30, 2004

SUBJECT: Investment in CodeRyte, Inc.

On March 30, 2004, CHP II, L.P. (CHP II) invested \$2.78 million as part of a \$12 million financing for CodeRyte, Inc. (CodeRyte). The financing was led by Venrock Associates and carried a pre-money valuation of \$6.5 million. Polaris Venture Partners also joined in the financing as a co-investor. Brandon Hull will represent CHP II on the CodeRyte Board of Directors. The financing is expected to provide the company with sufficient capital to attainment of cash flow positive operations in mid-2006.

CodeRyte is an early stage company utilizing advanced, statistical Natural Language Processing (“NLP”) software delivered via a web-enabled, transaction based model, to processes the clinical information contained in transcribed patient charts and automatically assigns the appropriate diagnosis (ICD) and procedure (CPT) billing codes. CodeRyte technology also enhances compliance and fraud prevention for medical providers and fraud detection for payers by quickly comparing or facilitating the comparison of transcribed medical records to the claims submitted by the medical provider.

CodeRyte was founded in October 1999 by experts in practice management who realized the potential value of helping providers code their services accurately and inexpensively, based entirely on the documented medical record. The Company is located in Bethesda, MD and its website can be found at www.coderyte.com.

Market and Business Strategy:

In the United States, over 830,000 practicing physicians and approximately 6,000 hospitals submit over 13 billion separate charges in at least 1 billion reimbursement claims per year to Medicare and Medicaid alone. Private pay claims submitted to health insurance companies, Blue Cross plans, and managed care organizations raise the total to over 4 billion claims.

Current process requires that a physician, medical coder, health information management or billing department representative reduce the physician’s observations and interventions to a series of three, four or five digit codes. This means that people, with varying levels of training who work at human speed, relate medical language and terms of art to 16,000 diagnostic and 8,000 procedural codes that are updated at least annually.

CODERYTE, INC. (cont.)

This complex and mundane labor-intensive process causes errors costing and wasting billions of dollars. Government statistics report that 7% – 12%, or as much as \$26 billion, of the \$220 billion Medicare budget represents overpayments—74% of which are due to inappropriate coding and lack of medical necessity. The OIG at Health and Human Services currently claims that they are receiving a \$23 dollar return for every \$1 spent on physician/hospital audits.

At the same time, the Medicare Payment Advisory Commission (MPAC) reports that due to poor quality coding physicians are under billing Medicare more than \$306 million per year for office visits alone. There are three primary causes: first, according to MPAC physicians under code because they fear being accused of Fraud and Abuse for mistakes caused by the complexity in the coding rules; second, the actual conversion of medical terms of art to medical billing codes *is* complex and the text is so rich that human coders frequently miss accurate and significant coding opportunities; and three, physician dictation is so varied that human readers cannot possibly accurately code across all dictation styles—CodeRyte’s Natural Language Processing excels in solving these three problems.

Federal and private audits comparing physician claims to the underlying chart suggest that a staggering 43% do not match the diagnosis and procedure codes used to bill those encounters. Such visits account for about \$18 billion in Medicare spending annually. As an example, one internally conducted review of the claims submitted by a ten-physician practice for Evaluation and Management (E&M) visits demonstrates the following:

	Undercoded	Overcoded
Visit Services	75%	0%
Office Consults	25%	25%
Inpatient Visits	65%	10%
Emergency Room Visits	45%	5%

The CodeRyte technology utilizes the rich clinical information dictated by the physician to optimize the coding and billing process, thereby maximizing their appropriate revenue, dramatically improving their cash flow, enhancing operational efficiency and substantially augmenting their defenses in the event of a compliance audit.

The natural language processing algorithms embedded in the software are able to “read” the text of the medical chart and determine the appropriate diagnosis and procedure codes to include in the medical claim. CodeRyte offers CodeComplete (full outsource model where CodeRyte employees use the technology) and CodeAssist (where user employees use the CodeRyte technology). The CodeRyte technology eases the burden of claims coding by automating the most complicated, labor and knowledge intensive aspects of the claim submission process. The software has undergone an external certification process by PriceWaterhouseCoopers to verify its statistical confidence, accuracy and efficiency in coding claims.

CODERYTE, INC. (cont.)

The following table, representing an internal study of the CodeRyte software, compares the speed, accuracy of procedure (CPT) coding and internal consistency of the CodeRyte system to an average group of human coders, both coding diagnostic radiology visit notes. Even in only partially automated mode, the CodeRyte software easily triples the productivity of human coders.

	Chart Per Hour	CPT Coding Accuracy	CPT Coding Consistency	Reimbursement Denials
Human Coders	50 – 75	85%	80%	41%
CodeRyte	200,000	98%	100%	12%

Technology:

At the core of CodeRyte™ is a highly proprietary, patent pending, supervised machine learning NLP engine that has evolved from technology that was originally developed under federal research and development funds for the intelligence sector. The software engine is equipped with the entire medical nomenclature and lexicon of the National Library of Medicine as well as the International Classification of Diseases, maintained by the World Health Organization, and Current Procedural Terminology, maintained by the American Medical Association.

Currently CodeRyte operates from transcribed dictation, the most common and provider friendly interface. CodeRyte can be linked directly to the currently evolving generation of speech to text products, as well as to checklist style electronic medical records programs.

Data integrity and security are designed into every layer of the CodeRyte system--computers, networking, software, and procedures. The company uses open-source technologies that are widely respected for their security, reliability, and scalability, such as Red Hat Linux, Apache web servers, and GnatBox firewalls. CodeRyte adheres strictly to the Final Rule for Standards for Privacy of Individually Identifiable Health Information (HIPPA). CodeRyte also adheres strictly to HCFA's Internet Security Policy established November 24, 1998. In compliance with this policy, CodeRyte uses Secure Sockets Layer (TLS or SSL).

Customers and Pipeline:

The initial focus of the company has been on radiology practices and hospital emergency departments. Clients going on-line and/or in the final stages of negotiation range from individual radiology practices to billing companies representing millions of encounter/year, to large specialty physician groups within hospitals (e.g. Cleveland Clinic Foundation, NYU, UCLA, Oregon Health Sciences University and Temple University), to a beta site for the nation's largest radiology physician practice management company.

CODERYTE, INC. (cont.)

CodeRyte has signed agreements with clients/partners representing at least 220 hospital and hundreds of clinics. Annualized revenues are approaching \$2 million. Month over month revenue growth exceeded 15% in the last quarter, with revenue growth projected at least at the same level over the next three quarters. The current customer list includes:

1. Massachusetts General Hospital
2. Cornell University Hospital
3. Boston University
4. Maimonides Medical Center
5. West Virginia University College of Medicine
6. Physician Practice Management Company (three separate hospitals and 10 clinics)
7. Radiology MSO (21 separate radiology clients)
8. Radiology Billing Company (87 radiology practices at over 200 hospitals)
9. Radiology Billing Company (7 radiology practices at 11 hospitals)
10. Radiology Billing Company (4 radiology practices at 7 hospitals)

Customers in the process of implementation represent an additional \$1.8 million in annual revenues. Agreements in the final stages of negotiation represent another \$2.4 million in annual revenues. CodeRyte's customer sales pipeline includes approximately 150 physician group and hospital prospects.

Competition:

CodeRyte software, unique in its supervised machine learning approach, shares the automated coding space with only one known competitor, A-Life Medical. In the spring of 2001, Medquist acquired 19.75% of A-Life for \$6 million and has recently acquired an amount totaling to 40% of the total company for an amount still undisclosed. A-Life uses a rules-based NLP approach. A-Life was started over four years ago and, reportedly, is at a similar stage of development, implementation and revenues.

Several alternative coding options are available to the medical provider market and may be perceived as substitutes to the CodeRyte coding solution.

1. Hand held devices: There are several PDA-type offerings in the market that use "check-box" type forms, templates and/or structured forms that automatically generate medical records with simultaneous medical coding. This technology offers two benefits: physicians are prompted to complete all exam components and, to the extent no additional text is required the boxes checked by the physician can then generate the codes. However, outside of the primary care market physicians have shown some resistance in relying on a PDA and, more importantly, virtually all the vendors have, at the demand of the physicians, had to add a free text component. And, as soon as free text is added the coding algorithms become obviated and the document must now be coded.

CODERYTE, INC. (cont.)

2. Encoders: 3M, HSS, Inc, QuadraMed and other vendors offer an electronic version of the coding dictionaries that allow a medical coder to enter the relevant medical terms and the encoder suggests medical coders that the coder can then manually or automatically upload into the provider's medical information system.
3. Structured/Template Electronic Computerized Medical Records: The most widely used such product is offered by Epic and allows prompts a physician through a customizable set of screens that will generate a completed encounter record.

While the above solutions have achieved some market success each has a niche of success that reflects that niche's cost benefit analysis. Substitutes one and three are most frequently adopted by primary care physicians while encoders are mostly used in procedure-based specialties and hospitals.

Management:

The CodeRyte senior management team has over 50 years of collective experience in the health care industry. Much of that experience arises out of providing billing services and monitoring physician compliance for hundreds of physicians. In addition, CodeRyte management has previously developed new technologies and turned them into software solutions for the health care industry.

Andrew Kapit – President and CEO: Mr. Kapit joined CodeRyte after completing the turnaround of a 150-bed specialty hospital where he became Chief Executive and Chief Operating Officer two days after the organization was put on a 16-day fast track termination from Medicare/Medicaid. After a successful Federal Administrative Appeal all local and federal actions against the organization were rescinded. Mr. Kapit was then able to stabilize the organization and establish an institutional reputation of honesty, quality, ethical and compassionate care and grow revenues from less than \$3 million to more than \$20 million within two years. With both an MBA and BA from Columbia University, Mr. Kapit has worked as an investment banker at First Capital Advisers in New York, and in Health Care Finance at a privately held investment and health care management firm in Baltimore. Mr. Kapit was president/founder of the Ides of April Family of Companies, which was profiled in the personal business section of Business Week, as well as Money Magazine and Christian Science Monitor.

CODERYTE, INC. (cont.)

Richard B. Toren – Co-Founder and Chairman: Mr. Toren conceptualized CodeRyte and now serves as the Chairman of its Board. Prior to joining CodeRyte, Mr. Toren founded a physician practice management firm in 1983 that was sold to Vivra Specialty Partners for more than \$10 million in 1996. Following this acquisition, he was retained as President of Vivra Heart Services (VHS) for two years. VHS had over 400 employees and 65 physicians when he left to join CodeRyte.

Mr. Toren has assisted the American College of Cardiology with HCFA in rulemaking for reimbursement of overhead costs associated with operating a physician practice. He also served as Vice-Chairman of the American Heart Association (Nations Capital Affiliate) and President of the Ronald McDonald House for two years.

Mr. Toren received his undergraduate degree at Pennsylvania State University and was in the Loyola Graduate School of Business MBA program for two years.

Michael Niv, Ph.D. – Core Technology Officer - Michael Niv has a Bachelor of Science degree in Electrical Engineering from The Johns Hopkins University, and both a Masters and Doctorate degree in Computer and Information Science from the University of Pennsylvania. He has conducted research in natural language processing and computational molecular biology. He has taught Unix at Bell Atlantic, and Cognitive Science at the Technion, Israel Institute of Technology.

Over the past 20 years Mr. Niv has developed a variety academic and commercial software systems, primarily in natural language processing, at the University of Pennsylvania, SRA Corporation and for four private medical practices. In addition, he has developed software for laboratory data collection at The Johns Hopkins School of Medicine, an emergency medicine expert system, and gene-sequence analysis the University of Pennsylvania, medical record management at the NIH Clinical Center, and e-commerce for the Estee Lauder Companies. He has mastered many programming languages, including C/C++, LISP, Prolog, Tcl/Tk, SQL, HTML, and is currently most fluent in Perl.

The NLP Development Team - Both Senior NLP developers for CodeRyte were trained at Harvard University and the University of Pennsylvania and serve as Professors in prestigious University Departments of Computer Science. Prior to joining CodeRyte their backgrounds include positions as research scientist at Bell Laboratories, Editorial Board Member of Computational Linguistics and Program Chair for the 3rd Workshop on Very Large Corpora, research scientist at Bolt Beranek and Newman (BBN) and three years as a scientist at Sun Microsystems Laboratories.

The company is currently recruiting a Chief Technology Officer and a Vice President of Sales. In addition, CodeRyte is actively forming an advisory board of leading professionals in health care information technology.

CODERYTE, INC. (cont.)

Financial Projections:

CodeRyte has a mature radiology-coding product and the recently released Emergency Department coding engine successfully passed an external validation and testing process and has generated revenues from several hospitals through strategic partners. The launch client for the radiology-coding engine was The Cleveland Clinic Foundation and for the Emergency Department coding engine the launch client was Park Nicolette Hospital. CodeRyte now earns revenues and is growing market share.

The CodeRyte financial projections indicate a net loss for FY 2004. New accounts are charged an implementation fee on a break-even basis. Customers pay on a per-claim basis, ranging from \$0.35 to \$0.85. With the investment completed in March, the Company is projected to be at EBITDA breakeven by the end of FY 2005.

<u>CodeRyte, Inc.</u>	Actual	Actual	Projected	Projected	Projected
(\$000)	FYE 06/02	FYE 06/03	FYE 06/04	FYE 06/05	FYE 06/06
Revenue	332	743	3,030	7,281	19,881
Operating Expenses	1,762	2,576	5,171	7,892	13,640
EBITDA	-1,430	-1,833	-2,141	-611	6,241
Depreciation	23	12	96	226	296
Other Income (Expense)	-96	+462	-42	-6	-22
Net Income (Loss)	-1,549	-1,383	-2,279	-843	5,923

Outlook:

The automation of medical coding has three principal benefits to customers: substantial savings in terms of reduced labor costs, significant reduction of fraud and abuse risk due to up-coding, and increased receivables resulting from over-conservative under-coding.

With an excellent investment syndicate, solid management, a superior proprietary technology, and a distinct economic advantage over competitive services, we have high expectations for the investment in CodeRyte. The key milestones for the remainder of 2004 will be the filling out of the senior management team, closing some hospital large accounts, broadening the client base and building the sales pipeline.

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

Integrated Telecommunications, Web and Data Networks for Patient Management

Period Summary: 1st Quarter 2004

Financial performance for the first quarter of 2004 was affected by the lower call volumes caused by a milder than anticipated flu season. Revenues were 8% below budget for the quarter and margins were 3% below budget. During Q1 the company has also suffered from higher than anticipated customer attrition and longer sales and implementation cycles. This will have a significant effect on revenue for the coming quarter and into Q3. Management has reacted swiftly to reduce monthly expenditures by \$150k going forward and with the implementation of a number of margin improvement initiatives. Due to the unpredictability of the company's business model, as the period came to a close, the investors and the Board have decided to select an investment banker to manage the sale of the company.

Operationally the company performed reasonably well, with business unit margins improving to 17% versus 15% for the last quarter of 2003. Overhead expenses would also have been better than plan were it not for \$125k in one-time restructuring charges. The restructuring in March was targeted on reducing staffing dedicated to the disappointing payor market sales effort. Cash flow was \$100k behind expectation for the period, primarily because of severance payments and capital expenditures timing. To assist with short-term cash flow, the company's debt provider has indicated a willingness to defer principal payments against the line for one year. Capital expenditures will also be cut in half for the remainder of the year.

The 2004 budget has been adjusted accordingly to reflect the reduced revenue expectations for the year. Revenue growth over 2003 is now forecast to be 11% versus 16% previously. However, management is still forecasting the attainment of profitability in Q3. This will be accomplished by a combination of reduced overhead expenditures and continued margin improvement. The company has installed a hiring freeze for the first six months of the year and reduced travel and consulting expenses until revenues begin to trend back up in the second half of the year.

INTELLICARE AMERICA (cont.)

FINANCIAL RESULTS: (\$000)

Overview: (FYE 12/31)

	<i>2001 Actual</i>	<i>2002 Actual</i>	<i>2003 Actual*</i>	<i>2004 Budget**</i>
Revenues	5,483	7,505	13,578	15,007
Cost of Revenues	6,593	6,945	11,932	11,268
SG&A	3,159	4,460	5,026	4,782
EBIT	-4,269	-3,900	-3,380	-1,043
Interest and Taxes	60	-3	-22	-71
Net Income	-4,209	-3,903	-3,402	-1,114

* - Subject to Audit

** - 2004 Budget Revised in April

Last Three Months: Quarter Ended March 31, 2004

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	3,556	3,878	-322
Cost of Revenues	2,951	3,100	+149
SG&A	1,503	1,506	+3
EBIT	-898	-728	-170
Interest and Taxes	5	-23	+28
Net Income	-893	-751	-142

Fiscal Year-to-Date: Three Months Ended March 31, 2004

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	3,556	3,878	-322
Cost of Revenues	2,951	3,100	+149
SG&A	1,503	1,506	+3
EBIT	-898	-728	-170
Interest and Taxes	5	-23	+28
Net Income	-893	-751	-142

INTELLICARE AMERICA (cont.)

Summary Balance Sheet as of March 31, 2004: (\$000)

Cash	\$ 1,999	Accounts Payable	\$ 797
Accounts Receivable	1,557	Accrued Payroll	631
Other Current Assets	<u>168</u>	Other Current Liabilities	<u>1,210</u>
Total Current Assets	3,724	Total Current Liabilities	2,638
Net PP&E	1,569	Long Term Liabilities	539
Intangibles (Net)	40	Shareholders Equity	19,329
Other Assets	<u>197</u>	Retained Earnings	<u>-16,976</u>
Total Assets	<u>\$ 5,530</u>	Total Liabilities & Equity	<u>\$ 5,530</u>

Comments:

Monthly burn is steadily decreasing and the company is currently ahead of its cash forecast. Current capital is expected to be more than sufficient to support operations through the attainment of cash flow break even in the latter half of 2004.

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	\$20.2 million

Outlook:

With revenue growth more unpredictable, we are more guarded about the prospects for our investment in IntelliCare.

MOBILE MEDICAL INDUSTRIES, INC.

Boca Raton, FL

{*www.mobilemedicalind.com*}

Provider of comprehensive, integrated home-based medical services.

Period Summary: 1st Quarter 2004

Positive sequential financial results in terms of revenues, gross margins and overhead expenditures were dampened by lower than budgeted revenue growth and missing the net income target. Operational restructuring has been completed in human resources to improve controls and reduce costs. Other initiatives to better align care provider compensation plans with corporate financial and clinical objectives will be completed in May 2004. Management is clearly focused on three goals for the remainder of 2004, same-store revenue growth, cost management and development of strategic opportunities to grow the business more aggressively.

Revenues for the quarter were \$10 million for the period, up 5.3% from Q4 of 2003, but 3.8% below budget. Gross margins increased 100 basis points from the previous quarter to 47.8%, but were lower than the budgeted figure of 51% as a result of lower revenues from the higher margin business segments. Overhead expenses were well under budget due to lower corporate headcount. Operating cash flow was \$100k ahead of plan for the period, including a 6% decrease in DSO for receivables. Average monthly cash burn for the period was \$400k, an improvement of 50% over the previous quarter. We expect the company to be EBITDA positive by the end of this summer.

Over the past nine months, the management team at Mobile Medical has put in place a foundation to support a much larger, rapid growth organization. As the team enters its second year at the helm, the company is now ready to pursue a more aggressive growth plan with multiple internal growth initiatives underway as well as several attractive acquisition opportunities to pursue. Within a year, Mobile Medical should be in prime position for pursuing an exit for the investors.

MOBILE MEDICAL INDUSTRIES, INC. (cont.)

FINANCIAL RESULTS: (\$000)

Overview: (FYE 12/31)

	<i>2001 Actual</i>	<i>2002 Actual</i>	<i>2003 Actual</i>	<i>2004 Budget</i>
Revenues	23,911	30,440	33,583	52,566
Direct Expenses	10,967	15,872	17,013	24,743
SG&A	15,197	19,011	23,287	25,800
EBIT	-2,253	-4,443	-67,717	2,023
Interest and Taxes	-1,760	-1,263	-125	-169
Net Income	-4,013	-5,706	-6,842	1,854
EBITDA	-1,248	-3,966	6,174	+2,727

Last Three Months: Quarter Ended March 31, 2004

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	10,007	10,385	-378
Direct Expenses	5,226	5,090	-136
SG&A	5,706	5,864	+158
EBIT	-925	-569	-356
Interest and Taxes	-8	-52	+44
Net Income	-933	-621	-312
EBITDA	-796	-424	-372

Fiscal Year-to-Date: Three Months Ended March 31, 2004

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	10,007	10,385	-378
Direct Expenses	5,226	5,090	-136
SG&A	5,706	5,864	+158
EBIT	-925	-569	-356
Interest and Taxes	-8	-52	+44
Net Income	-933	-621	-312
EBITDA	-796	-424	-372

MOBILE MEDICAL INDUSTRIES, INC. (cont.)

Summary Balance Sheet as of March 31, 2004: (\$000)

Cash	\$ 4,374	Accounts Payable	\$ 535
Accounts Receivable	5,641	Accrued Expenses	3,057
Other Current Assets	<u>1,573</u>	Other Current Liabilities	<u>1,981</u>
Total Current Assets	11,588	Total Current Liabilities	5,573
Net PP&E	1,320	Debt and Other Liabilities	1,819
Acquired Goodwill (Net)	9,214	Shareholders Equity	39,203
Other Assets	<u>861</u>	Retained Earnings	<u>-23,612</u>
Total Assets	<u>\$22,983</u>	Total Liabilities & Equity	<u>\$22,983</u>

Comments:

Average monthly cash burn is improving and the company has adequate capital resources to operate for at least 15 months. The company should be operating at cash flow positive by the end of Q3 2004. We do not foresee the need for additional capital at MMI, unless an unforeseen large acquisition was to take place.

CHP II, L.P. Holdings:

Series B Convertible Preferred Stock	400,000 shares
Assigned Fair Value	Investment Cost
Investment Cost	\$4,000,000
Cost per Share	\$10.00

% Ownership (Full Dilution) 8.2%

Company Valuation at CHP II Cost	\$48.8 million
Company Valuation at Assigned Fair Value	\$48.8 million

Outlook:

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 2004

As reported previously, the only outstanding item regarding the liquidation and dissolution of Molecular Mining is the sale and/or licensing of the company's intellectual property. PARTEQ Innovations is acting as agent to sell the intangible assets of the company. The agreement contains a revenue sharing component whereby PARTEQ will receive a ramping percentage of the proceeds, based upon the overall amount of the sale. Under the terms of the agreement, if the intangible assets are sold/licensed for a total of under \$25.5 million, the proceeds will be split solely between the Series B Preferred shareholders and PARTEQ. The Series A investors and the common shareholders would receive no return on their investment. As we believe that the total proceeds from the sale will be at most \$3-5 million, it is virtually certain that we will receive no return on the Cardinal Health Partners, L.P. investment.

During the current quarter, CHP II received a cash distribution of \$797, representing our prorata share of a partial licensing fee sold by PARTEQ. Accordingly, we reduced the carrying value for the investment from \$30,246 to \$29,449 and adjusted the investment cost basis similarly. To-date CHP II has received \$70,551 in cash distributions from Molecular Mining. Our current estimate of total return on the CHP II investment is between \$100K - \$250K. CHP II will receive 18.25% of any distribution to the Series B investors.

It is expected that PARTEQ transaction will be complete by the end of 2004 and we will record the final investment realization at that time.

CHP II, L.P. Holdings:

Series B Convertible Preferred Stock	737,422 shares
Assigned Fair Value	\$29,449
Investment Cost	\$1,438,510
 % Ownership of the Series B Preferred	 18.25%

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

Glycomics Based Drug Discovery and Development

Period Summary: 1st Quarter 2004

During the quarter, management completed one of their primary goals for 2004, completing a \$20.5 million financing. Other accomplishments included the development of a comprehensive plan for manufacturing, regulatory and legal issues in preparation for filing an abbreviated new drug application (ANDA) for its lead drug candidate, M-Enoxaparin (M-Enox), a generic form of heparin. Momenta also continued to make progress in its other drug development programs. Finally, in mid-March, the company filed for an initial public offering of its securities.

On February 27th, Momenta closed on a \$20.5 million third round financing led by new investor Mithra Ventures. The financing carried a pre-money value of \$103 million. Participants also included all the members of the existing investor syndicate; Polaris Venture Partners, Atlas Ventures and MVM Limited. CHP II contributed \$2.5 million to the financing. The proceeds from this financing will be used to accelerate Momenta's commercial and research initiatives and to expand its scientific team. With the completion of this financing, Momenta has sufficient capital to support operations through 2005.

In strategy discussions with strategic partner Sandoz/Novartis regarding the M-Enox manufacturing plan initiated last quarter, management has reassessed the timing for filing the ANDA, which is now planned for early 2005. The M-Enox plan for the remainder of 2004 is to focus on the scaling of manufacturing required to produce sufficient quantities of drug substance for clinical purposes, keep ongoing discussions with the FDA on the right track and prepare for potential reaction by Aventis once the ANDA is filed. Momenta management has been very pleased with the Sandoz collaboration to-date and the M-Enox team expects to finalize a scaleable manufacturing process for the ANDA in the next quarter.

Having accomplished one of their major goals for the year already, management continues to develop the organization and refinement the scientific strategy for application of the Momenta platform to drug discovery. Momenta has established terrific momentum and we are very enthusiastic about its prospects for providing an excellent return on our investment.

MOMENTA PHARMACEUTICALS, INC. (cont.)

FINANCIAL RESULTS: (\$000)

Overview: (FYE 12/31)

	<i>2001 Actual</i>	<i>2002 Actual</i>	<i>2003 Actual</i>	<i>2004 Budget</i>
Revenues	0	0	1,454	2,715
Research Expenses	206	1,818	5,227	8,334
Operating Expenses	167	2,364	3,418	7,107
EBIT	-373	-4,182	-7,191	-12,726
Interest and Taxes	+2	+17	+37	-50
Net Income	-371	-4,165	-7,154	-12,776

* - Subject to Audit

Last Three Months: Quarter Ended March 31, 2004

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	1,037	738	+299
Research Expenses	2,240	1,942	-298
Operating Expenses	1,409	1,384	-25
EBIT	-2,612	-2,588	-24
Interest and Taxes	30	22	+8
Net Income	-2,582	-2,566	-16

Fiscal Year-to-Date: Three Months Ended March 31, 2004

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	1,037	738	+299
Research Expenses	2,240	1,942	-298
Operating Expenses	1,409	1,384	-25
EBIT	-2,612	-2,588	-24
Interest and Taxes	30	22	+8
Net Income	-2,582	-2,566	-16

MOMENTA PHARMACEUTICALS, INC. (cont.)

Summary Balance Sheet as of March 31, 2004: (\$000)

Cash	\$ 31,200	A/P & Accrued Expenses	\$ 1,666
Unbilled Revenue	1,000	Deferred Revenue	147
Other Current Assets	<u>1,161</u>	Notes Payable	<u>325</u>
Total Current Assets	33,361	Total Current Liabilities	2,138
Net PP&E	1,055	Long Term Liabilities	674
Intangibles (net)	0	Shareholders Equity	74,395
Other Assets	<u>100</u>	Retained Earnings	<u>-42,691</u>
Total Assets	<u>\$34,516</u>	Total Liabilities & Equity	<u>\$34,516</u>

Comments:

The collaboration agreement provides that Sandoz is responsible for funding substantially all of the M-Enox development, regulatory, legal and commercialization costs. With the recent financing, the company has sufficient capital to support operations well into 2006.

CHP II, L.P. Holdings:

Series AA Convertible Preferred Stock	348,432 shares
Assigned Fair Value (348,432 shares x \$7.8463)	\$2,733,902
Investment Cost	\$1,000,000
Cost per Share	\$2.87
Series B Convertible Preferred Stock	974,577 shares
Assigned Fair Value (974,577 shares x \$7.8463)	\$7,646,823
Investment Cost	\$2,875,002
Cost per Share	\$2.95
Series C Convertible Preferred Stock	328,622 shares
Assigned Fair Value	Investment Cost
Investment Cost	\$2,500,004
Cost per Share	\$7.8463
% Ownership (Full Dilution)	9.9%
Company Valuation at CHP II Cost	\$39.1 million
Company Valuation at Assigned Fair Value	\$39.5 million

Outlook:

With the company well capitalized, 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 Momenta.

REPLICATION MEDICAL, INC.
New Brunswick, NJ
{www.replicationmedical.com}

Nucleus replacement device for the treatment of degenerative disc disease in the spine.

Period Summary: 1st Quarter 2004

Replication's product development for its implantable disk nucleolus made reasonable progress through the first quarter. The company continues to attract industry wide attention as the most promising surgical solution for minimally-invasive treatment of degenerative disk disease.

Progress has been mixed on the patient trials being conducted in Europe: on one hand the clinical results have been very positive, but the pace of the trials and the rate of patient enrollment has been disappointing. Since the filing of CE mark in Europe is dependant on completion of this trial, we are concerned that this date may slip.

The company also slightly lags plan with regard to U.S. regulatory path. The company plans to have completed all pre-clinical testing early in the second quarter, and had a successful second pre-IDE meeting during the first quarter. The current goal is to file the U.S. IDE at the end of second quarter of this year, and to begin its pivotal trial at the beginning of the fourth quarter.

Finally, the company made progress on its search for a small New Jersey-based clean room facility for manufacturing its hydrogel-based devices. This will serve as a needed second-source alternative to the existing manufacturer, a Czech-based research lab, which has experienced disappointing quality control problems.

Late in the quarter, the company received an attractive unsolicited financing offer. The board is currently debating the merits of running a process to raise a round earlier than anticipated, in order to accelerate team building, accelerated clinical trials, manufacturing and product launch. Ultimately this decision will be driven by valuation and value added of a new investor.

REPLICATION MEDICAL (cont.)

FINANCIAL RESULTS: (\$000)

Overview: (FYE 12/31)

	<i>2001 Actual</i>	<i>2002 Actual</i>	<i>2003 Actual</i>	<i>2004 Budget</i>
Revenues	0	0	0	0
R&D Expenses	1,163	1,255	2,396	2,642
Operating Expenses	266	324	782	247
EBIT	-1,429	-1,579	3,178	-2,889
Interest and Taxes	44	3	27	11
Net Income	-1,385	-1,576	-3,151	-2,878

Last Three Months: Quarter Ended March 31, 2004

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	0	0	0
R&D Expenses	412	550	+138
Operating Expenses	93	82	-11
EBIT	-505	-632	+127
Interest and Taxes	5	5	0
Net Income	-500	-627	+127

Fiscal Year-to-Date: Three Months Ended March 31, 2004

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	0	0	0
R&D Expenses	412	550	+138
Operating Expenses	93	82	-11
EBIT	-505	-632	+127
Interest and Taxes	5	5	0
Net Income	-500	-627	+127

REPLICATION MEDICAL (cont.)

Summary Balance Sheet as of March 31, 2004: (\$000)

Cash	\$ 2,324	A/P & Accrued Expenses	\$ 2
Prepaid Expenses	16	Deferred Charges	0
Other Current Assets	<u>0</u>	Notes Payable	<u>0</u>
Total Current Assets	2,340	Total Current Liabilities	2
Net PP&E	153	Long Term Debt	0
Intangibles (net)	0	Shareholders Equity	9,860
Other Assets	<u>0</u>	Retained Earnings	<u>-7,369</u>
Total Assets	<u>\$ 2,493</u>	Total Liabilities & Equity	<u>\$ 2,493</u>

Comments:

The lag in patient recruitment has led to R&D expenses not ramping as expected. We now expect a significant ramping of expenditures to take place in the later half of next quarter. We expect the company to require additional financing by the end of 2004. Investor interest has been high.

CHP II, L.P. Holdings:

Series B Convertible Preferred Stock	2,614,516 shares
Assigned Fair Value	Investment Cost
Investment Cost	\$2,500,000
Cost per Share	\$0.9562
% Ownership (Full Dilution)	20.8%
Company Valuation at CHP II Cost	\$12.3 million
Company Valuation at Assigned Fair Value	\$12.3 million

Outlook:

The combination of a large and growing market looking for new therapies, multiple potential acquirors, the efficient virtual company operational model, high product margins and the proprietary nature of the Replication'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 2004

The Rib-X scientific team has now identified a lead compound to be RX-01, the code-named lead scientific program. In the last two months, the company made good progress, advancing the program on several fronts; 1) toxicity, 2) analytical; 3) metabolism and 4) process chemistry. The goal remains an Investigational New Drug (IND) filing with the FDA in 2004. Financially, the company continues to perform ahead of budget in all areas. As the quarter ended, the company successfully recruited a Vice President of Business Development and a Senior Director of Regulatory Affairs, completing the senior management recruiting goals for 2004.

Financial performance for the quarter was well ahead of plan in all areas, primarily due to lower personnel costs, the set-aside of the second lead compound program due to marginal effectiveness, and the delay in scale-up for manufacturing in the lead drug program. Management has done a fine job of managing spending while advancing its research and development program. The company has sufficient capital to operate for at least two years and likely through Phase II clinical trials for its lead compound. Additional programs to identify other drug candidate compounds will be accelerated in latter half of 2004, after the RX-01 program has completed most of its preparations commencement of clinical trials.

RIB-X PHARMACEUTICALS, INC. (cont.)

FINANCIAL RESULTS: (\$000)

Overview: (FYE 12/31)

	<i>2001 Actual</i>	<i>2002 Actual</i>	<i>2003 Actual*</i>	<i>2004 Budget</i>
Revenues	0	0	148	1,100
R&D Expenses	593	5,283	7,878	15,030
Operating Expenses	828	2,192	3,023	5,105
EBIT	-1,421	-7,475	-10,753	-19,035
Interest and Taxes	-11	-71	+159	+65
Net Income	-1,432	-7,546	-10,594	-18,970

* - Subject to Audit

Last Three Months: Quarter Ended March 31, 2004

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	0	0	0
R&D Expenses	2,830	4,850	+2,020
Operating Expenses	-130	28	+158
EBIT	-2,700	-4,878	+2,178
Interest and Taxes	96	138	-42
Net Income	-2,604	-4,740	+2,136

Fiscal Year-to-Date: Three Months Ended March 31, 2004

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	0	0	0
R&D Expenses	2,830	4,850	+2,020
Operating Expenses	-130	28	+158
EBIT	-2,700	-4,878	+2,178
Interest and Taxes	96	138	-42
Net Income	-2,604	-4,740	+2,136

RIB-X PHARMACEUTICALS, INC. (cont.)

Summary Balance Sheet as of March 31, 2004: (\$000)

Cash	\$ 49,095	Accounts Payable	\$ 892
Accounts Receivable	0	Accrued Expenses	0
Other Current Assets	<u>313</u>	Notes Payable Current	<u>657</u>
Total Current Assets	49,408	Total Current Liabilities	1,549
Net PP&E	5,705	Notes Payable	3,460
Intangibles (net)	0	Shareholders Equity	72,725
Other Assets	<u>242</u>	Retained Earnings	<u>-22,379</u>
Total Assets	<u>\$55,355</u>	Total Liabilities & Equity	<u>\$55,355</u>

Comments:

The company is well ahead of its cash burn plan for the year, however, burn is accelerating to meet budget expectations and the company will likely be burning close to \$1.5 million per month by the end of Q2 2004. With the current cash balance, Rib-X has enough capital to operate for at least more two 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	4,645,339 shares
Assigned Fair Value (cost)	\$2,875,000
Investment Cost	\$2,875,000
Cost per Share	\$0.6189
% Ownership (Full Dilution)	4.9%
Company Valuation at CHP II Cost	\$80.0 million
Company Valuation at Assigned Fair Value	\$80.0 million

Outlook:

With the company now well capitalized, Rib-X is building momentum and we are excited about its prospects.