

CHP II, L.P.
QUARTERLY REPORT
2nd QUARTER, 2002

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TO: The Limited Partners

FROM: John K. Clarke

DATE: August 31, 2002

SUBJECT: Activity for the Quarter Ended June 30, 2002

During the second quarter, CHP II completed three new investments and one follow-on investment. Activity for the period in the existing portfolio was primarily positive, highlighted by the completion of a second round financing at Intellicare and exciting early results from the Rib-X chemistry team. Following are short summaries of activity for the quarter in each of our portfolio companies.

Alnylam Pharmaceuticals – CHP II co-led a \$2 million start-up financing for this Cambridge-based biopharmaceutical company that will develop the breakthrough technology of RNA interference (RNAi) for use in human therapeutics. The exceptional luminary profile of the Alnylam team attracted high interest in both the scientific and investment communities with the company receiving commitments for a follow-on financing at a 2.5X step-up before the ink was dry on this seed financing.

AthenaHealth – Sales for the period were on plan, partially compensating for the weak results from the prior quarter. The quality of sales continues to show improvement with the resulting improvement in gross margins. Athena is operating at a \$29 million annual run rate, with a very strong sales backlog reinforcing its recurring revenue business model.

CardioOptics – CHP II led a \$3 million first round financing for this cutting edge medical device company that has developed an endoscopic imaging technology based on infrared light. The technology allows surgeons to “see through blood” and facilitates many interventional cardiology procedures in a minimally invasive manner. Strong interest from other venture investors will likely stretch this initial round to \$4.5million.

IntelliCare America – Intellicare successfully completed a \$10.15 million second round financing led by new investor Canaan Partners. These funds provide ample operating capital for at least two years and well through cash flow break even forecast for Q3 2003. Financial performance was below plan due to weak major account sales, but the company remains ahead of budget in terms of EBITDA for the year. A material improvement is expected next quarter with the addition of two large clients with improved pricing.

iPhysicianNet (IPNI) – With the addition of its tenth pharmaceutical client, the company has achieved all of the milestones set out in the staged financing closed last quarter. The accomplishment of these milestones results in the release of a scheduled \$5.6 million capital infusion for the company in early July. While revenues did not meet plan for the first time in nine months, cash flow and net loss remain ahead of plan for the year. At \$54 million in annual run-rate revenues, iPhysician stands alone as the premier player in the “e-detailing” space.

Mimeon – CHP II contributed \$1 million to a \$4.4 million first round financing for this biopharmaceutical company based upon a technology out of MIT that could fundamentally change the application of glycomics (study of sugars) in the development of therapeutics.

Molecular Mining – Sales of the company's high end product released this quarter have exceeded forecast. Revenues from collaborations and sales of the company's other software products outside of North America have been disappointing, resulting in revenues missing plan. The company remains ahead of plan for the year in terms of net income and cash flow.

Rib-X Pharmaceuticals – Rib-X is making excellent progress at this early stage. Research progress has exceeded expectations and the company is accelerating the development of its preclinical studies infrastructure. The company successfully recruited an experienced CFO and completed separate facilities and equipment financing agreements. The company will move into its new facilities at the end of July.

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

Investment Activity:

CHP II invested a total of \$3.75 million in three new investments during the quarter, a \$1 million investment in Alnylam, a \$1.75 million investment in CardioOptics and \$1 million for the investment in Mimeon. Additionally, CHP II contributed \$1 million (including conversion of \$370K in promissory notes) to the \$10.15 million second round financing for Intellicare, led by new investor Canaan Partners.

Deal Flow:

During the quarter, we have reviewed 179 business proposals. Current "A" deals include Advanced Tissue Sciences, Artemis Medical, Biorexis, Breonics, Knumi, MicroDose Technologies, Microplate Automation, Mobile Medical Industries, Privasource, Renal Solutions, and Spine Solutions. An alphabetical list of all deals received with a brief business description, deal source and current status is included with this report.

Financial Results:

During the quarter, CHP II completed three capital calls for totaling \$6.3 million. Utilization of these funds included \$4.5 million in portfolio investment and to pay fund operating expenses and fees. Cash at the end of the period was \$990,691. Cumulative capital contributions to are \$36.3 million or 31% of total capital commitments. Net Loss for the quarter totaled \$2.3 million consisting of operating expenses for the period plus a \$1.5 unrealized loss related to the markdown of our prior round investment in Intellicare.

Looking forward:

We have scheduled the Limited Partner Annual Meeting for Monday, November 4th in New York City. Brandon, Lisa, John, Geoff and I hope to see many of you there. We continue to work diligently to build value in our portfolio and appreciate your input and support.

CHP II, L.P.
Income Statement
For the Period Ended June 30, 2002

	Three Months Ended 06/30/02	Six Months Ended 06/30/02
Revenue:		
Non Portfolio Income	\$623	\$1,668
Interest-Equivalent Amounts	0	0
Expenses:		
Management Fee	734,217	1,468,434
Professional Fees	5,154	10,783
NVCA Dues & Expenses	5,173	5,173
Amortization of Organization Costs	0	0
Annual Meeting & Miscellaneous	1,237	1,237
Total Expenses	745,781	1,485,627
Net Operating Expense	(745,158)	(1,483,959)
Investment Income	13,458	19,668
Net Income Before Gains (Losses)	(731,700)	(1,464,291)
Realized Gains (Losses)	0	0
Unrealized Gains (Losses)	(1,535,415)	(1,535,415)
Net Income (Loss)	(\$2,267,115)	(\$2,999,706)

CHP II, L.P.
Balance Sheet
As of June 30, 2002

ASSETS:	Period Ended 06/30/02	Period Ended 03/31/02
	<u> </u>	<u> </u>
Cash and Short-Term Investments	\$990,691	\$27,868
Accrued Interest	15,579	16,657
Venture Capital Investments	19,742,960	16,898,375
Organization Costs (Net of Accum. Amortization)	0	0
Other Assets	<u>172,677</u>	<u>142,752</u>
	<u><u>\$20,921,907</u></u>	<u><u>\$17,085,652</u></u>
 LIABILITIES & CAPITAL:		
Accrued Expenses and Payables	\$9,000	\$205,629
Partners' Accounts	<u>20,912,907</u>	<u>16,880,023</u>
Total Liabilities and Capital	<u><u>\$20,921,907</u></u>	<u><u>\$17,085,652</u></u>

CHP II, L.P.
Footnotes
As of June 30, 2002

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

Note 2 – Net Organization Costs	06/30/02	03/31/02
	<u> </u>	<u> </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	06/30/02	03/31/02
	<u> </u>	<u> </u>
GP Promissory Note Principal	\$172,677	\$142,752
Offset against Partners' Capital	<u>0</u>	<u>0</u>
Total	<u><u>\$172,677</u></u>	<u><u>\$142,752</u></u>

Note 4 – Accrued Expenses	06/30/02	03/31/02
	<u> </u>	<u> </u>
Professional Fees	\$9,000	\$5,629
NVCA Dues & Annual Meeting	0	0
Accrued Management Fees	<u>0</u>	<u>200,000</u>
Total	<u><u>\$9,000</u></u>	<u><u>\$205,629</u></u>

CHP II, L.P.
Statement of Cash Flows
For the Period Ended June 30, 2002

	Three Months Ended 06/30/02	Six Months Ended 06/30/02
Cash flows from operating activities		
Net Income Before Gains (Losses)	(\$731,700)	(\$1,464,291)
Adjustments to reconcile net income before gains (losses) to net cash used in operating activities:		
Accrued Interest Receivable	1,077	(5,133)
Accrued Organization Costs	-	-
Other Assets	-	-
Accrued Expenses & Payables	(196,629)	(16,248)
Net Cash used in Operating Activities	(972,252)	(1,485,672)
Cash flows from investing activities		
Purchases of venture capital investments	(4,380,000)	(5,507,897)
Sales of venture capital investments	-	-
Net cash used in investing activities	(4,380,000)	(5,507,897)
Cash flows from financing activities		
Cash contributions by partners	6,270,075	7,564,980
Cash distribution to partners	0	0
Net cash provided by financing activities	6,270,075	7,564,980
 Net Change in Cash and Short Term Investments	 962,823	 571,411
Cash and Short Term Investments, beginning	27,868	419,280
Cash and Short Term Investments, ending	\$990,691	\$990,691

CHP II, L.P.
Schedule of Venture Capital Investments
As of June 30, 2002

Company	Debt	Equity	Total Cost	Fair Value	Unrealized Gain (Loss)
Alnylam Pharmaceuticals	\$0	\$1,000,000	\$1,000,000	\$1,000,000	\$0
AthenaHealth, Inc.	0	5,000,001	5,000,001	5,000,001	0
Cardio-Optics, Inc.	0	1,750,000	1,750,000	1,750,000	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	5,757,897	0
Mimeon, Inc.	0	1,000,000	1,000,000	1,000,000	0
Molecular Mining Corp.	0	1,509,060	1,509,060	1,509,060	0
ParkStone Medical Systems	2,461,693	0	2,461,693	136,417	(2,325,276)
Rib-X Pharmaceuticals	0	1,125,000	1,125,000	1,125,000	0
Totals	\$2,461,693	\$21,141,958	\$23,603,651	\$19,742,960	(\$3,860,691)

CHP II, L.P.
Statement of Partners' Contributions Accounts
As of June 30, 2002

	Partners' Total Subscription	Contributions Account 03/31/02	Period Contribution in Cash	Period Contribution by Note	Contributions Account 06/31/02	Partners' Outstanding Subscription
<u>Limited Partners</u>						
State Teachers Ret. System of Ohio	\$30,000,000	\$7,674,821	\$1,608,856	\$0	\$9,283,677	\$20,716,323
Nassau Capital Funds	10,000,000	2,558,273	536,286	0	3,094,559	6,905,441
Robert Wood Johnson Foundation	10,000,000	2,558,273	536,286	0	3,094,559	6,905,441
Northwestern University	10,000,000	2,558,273	536,286	0	3,094,559	6,905,441
LACERA	10,000,000	2,558,273	536,286	0	3,094,559	6,905,441
Textron Master Trust	10,000,000	2,558,273	536,286	0	3,094,559	6,905,441
First Union Investors, Inc.	7,500,000	1,918,706	402,214	0	2,320,920	5,179,080
Pension Commissioners of City of LA	5,000,000	1,279,137	268,413	0	1,547,280	3,452,720
Princess Private Equity	5,000,000	1,279,137	268,413	0	1,547,280	3,452,720
Hillside Capital Incorporated	3,500,000	895,394	187,700	0	1,083,094	2,416,906
Hamilton Lane-Carpenters Fund	3,000,000	767,482	160,885	0	928,367	2,071,633
UNISYS Master Trust	3,000,000	767,482	160,885	0	928,367	2,071,633
Venture Investment Associates III, L.P.	2,300,000	588,402	123,345	0	711,747	1,588,253
Fleet Growth Resources (Summit)	2,000,000	511,656	107,257	0	618,913	1,381,087
S.R. One Limited	2,000,000	511,656	107,257	0	618,913	1,381,087
Pharma BioDevelopment, Inc.	2,000,000	511,656	107,257	0	618,913	1,381,087
Private Equity Holdings II, Ltd.	1,000,000	255,828	53,268	0	309,456	690,544
	\$116,300,000	\$29,752,722	\$6,237,000	\$0	\$35,989,722	\$80,310,278
<u>General Partner</u>						
CHP II Management, LLC.	1,174,747	300,533	33,075	29,925	363,533	811,214
Total Partnership	\$117,474,747	\$30,053,255	\$6,270,075	\$29,925	\$36,353,255	\$81,121,492

CHP II, L.P.
Statement of Partners' Distributive Share of Net Assets
For the Period Ended June 30, 2002

	Private Securities	Public Securities	Cash	Other Assets	Total Assets	Accrued Expenses	Net Assets 06/30/02
<u>Limited Partners</u>							
State Teachers Ret. System of Ohio	\$5,041,841	\$0	\$252,996	\$48,076	\$5,342,913	(\$2,298)	\$5,340,615
Nassau Capital Funds	1,680,615	0	84,332	16,025	1,780,972	(766)	1,780,206
Robert Wood Johnson Foundation	1,680,615	0	84,332	16,025	1,780,972	(766)	1,780,206
Northwestern University	1,680,615	0	84,332	16,025	1,780,972	(766)	1,780,206
LACERA	1,680,615	0	84,332	16,025	1,780,972	(766)	1,780,206
Textron Master Trust	1,680,615	0	84,332	16,025	1,780,972	(766)	1,780,206
First Union Investors, Inc.	1,260,460	0	63,250	12,020	1,335,730	(576)	1,335,154
Pension Commissioners of City of LA	840,305	0	42,166	8,013	890,484	(383)	890,101
Princess Private Equity	840,305	0	42,166	8,013	890,484	(383)	890,101
Hillside Capital Incorporated	588,213	0	29,516	5,609	623,338	(268)	623,070
Hamilton Lane-Carpenters Fund	504,182	0	25,300	4,807	534,289	(230)	534,059
UNISYS Master Trust	504,182	0	25,300	4,807	534,289	(230)	534,059
Venture Investment Associates III, L.P.	386,539	0	19,396	3,686	409,621	(176)	409,445
Fleet Growth Resources (Summit)	336,122	0	16,867	3,205	356,194	(153)	356,041
S.R. One Limited	336,122	0	16,867	3,205	356,194	(153)	356,041
Pharma BioDevelopment, Inc.	336,122	0	16,867	3,205	356,194	(153)	356,041
Private Equity Holdings II, Ltd.	168,062	0	8,433	1,603	178,098	(77)	178,021
	\$19,545,530	\$0	\$980,784	\$186,374	\$20,712,688	(\$8,910)	\$20,703,778
<u>General Partner</u>							
CHP II Management, LLC.	197,430	0	9,907	1,882	209,219	(90)	209,129
Total Partnership	\$19,742,960	\$0	\$990,691	\$188,256	\$20,921,907	(\$9,000)	\$20,912,907

CHP II, L.P.
Statement of Partners' Capital Accounts *
For the Six Months Ended June 30, 2002

	Partners' Capital 01/01/02	Net Capital Contributions	Non-Portfolio Income	Net Investment Income	Realized Gains (Losses)	Total Income	Unrealized Gains (Losses)	Distributions	Partners' Capital 06/31/02
<u>Limited Partners</u>									
State Teachers Ret. System of Ohio	\$4,165,819	\$1940,842	\$426	(\$374,368)	\$0	(\$373,942)	(\$392,104)	\$0	\$5,340,615
Nassau Capital Funds	1,388,607	646,948	142	(124,789)	0	(124,647)	(130,702)	0	1,780,206
Robert Wood Johnson Foundation	1,388,607	646,948	142	(124,789)	0	(124,647)	(130,702)	0	1,780,206
Northwestern University	1,388,607	646,948	142	(124,789)	0	(124,647)	(130,702)	0	1,780,206
Textron Master Trust	1,388,607	646,948	142	(124,789)	0	(124,647)	(130,702)	0	1,780,206
LACERA	1,388,607	646,948	142	(124,789)	0	(124,647)	(130,702)	0	1,780,206
First Union Investors, Inc.	1,041,455	485,211	106	(93,592)	0	(93,486)	(98,026)	0	1,335,154
Pension Commissioners of City of LA	694,302	323,474	71	(62,395)	0	(62,324)	(65,351)	0	890,101
Princess Private Equity	694,302	323,474	71	(62,395)	0	(62,324)	(65,351)	0	890,101
Hillside Capital Incorporated	486,010	226,432	50	(43,676)	0	(43,626)	(45,746)	0	623,070
Hamilton Lane-Carpenters Fund	415,680	194,984	43	(37,437)	0	(37,394)	(39,211)	0	534,059
UNISYS Master Trust	416,580	194,084	43	(37,437)	0	(37,394)	(39,211)	0	534,059
Venture Investment Associates III	319,378	148,797	33	(28,702)	0	(28,669)	(30,061)	0	409,445
Fleet Growth Resources (Summit)	277,722	129,389	28	(24,958)	0	(24,930)	(26,140)	0	356,041
S.R. One Limited	277,722	129,389	28	(24,958)	0	(24,930)	(26,140)	0	356,041
Pharma BioDevelopment, Inc.	277,722	129,389	28	(24,958)	0	(24,930)	(26,140)	0	356,041
Private Equity Holdings II, Ltd.	138,861	64,695	14	(12,479)	0	(12,465)	(13,070)	0	178,021
	\$16,148,588	\$7,524,900	\$1,651	(\$1,451,300)	0	(\$1,449,649)	(\$1,520,061)	\$0	\$20,703,778
<u>General Partner</u>									
CHP II Management, LLC.	26,369	40,080	17	(14,660)	0	(14,643)	(15,354)	0	36,452
Total Partnership	\$16,174,957	\$7,564,980	\$1,668	(\$1,465,960)	\$0	(\$1,464,292)	(\$1,535,415)	\$0	\$20,740,230

* - 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 June 30, 2002

	Partners' Contribution Account	Non-Portfolio Income	Net Investment Income	Realized Gains (Losses)	Total Income	Unrealized Gains (Losses)	Distributions	Partners' Account
<u>Limited Partners</u>								
State Teachers Ret. System of Ohio	\$9,283,677	\$13,871	(\$1,694,145)	(\$1,276,869)	(\$2,957,143)	(\$985,919)	\$0	\$5,340,615
Nassau Capital Funds	3,094,559	4,625	(564,174)	(425,624)	(985,713)	(328,640)	0	1,780,206
Robert Wood Johnson Foundation	3,094,559	4,625	(564,174)	(425,624)	(985,713)	(328,640)	0	1,780,206
Northwestern University	3,094,559	4,625	(564,714)	(425,624)	(985,713)	(328,640)	0	1,780,206
LACERA	3,094,559	4,625	(564,714)	(425,624)	(985,713)	(328,640)	0	1,780,206
Textron Master Trust	3,094,559	4,625	(564,714)	(425,624)	(985,713)	(328,640)	0	1,780,206
First Union Investors, Inc.	2,320,920	3,468	(423,536)	(319,218)	(739,286)	(246,480)	0	1,335,154
Pension Commissioners of City of LA	1,547,280	2,311	(282,358)	(212,812)	(492,859)	(164,320)	0	890,101
Princess Private Equity	1,547,280	2,311	(282,358)	(212,812)	(492,859)	(164,320)	0	890,101
Hillside Capital Incorporated	1,083,094	1,618	(197,650)	(148,968)	(345,000)	(115,024)	0	623,070
Hamilton Lane-Carpenters Fund	928,367	1,388	(169,416)	(127,687)	(295,715)	(98,593)	0	534,059
UNISYS Master Trust	928,367	1,388	(169,416)	(127,687)	(295,715)	(98,593)	0	534,059
Venture Investment Associates III	711,747	1,064	(129,886)	(97,893)	(226,715)	(75,587)	0	409,445
Fleet Growth Resources (Summit)	618,913	924	(112,943)	(85,125)	(197,144)	(65,587)	0	356,041
S.R. One Limited	618,913	924	(112,943)	(85,125)	(197,144)	(65,728)	0	356,041
Pharma BioDevelopment, Inc.	618,913	924	(112,943)	(85,125)	(197,144)	(65,728)	0	356,041
Private Equity Holdings II, Ltd.	309,456	463	(56,472)	(42,562)	(98,571)	(32,864)	0	178,021
	\$35,989,722	\$53,779	(\$6,567,636)	(\$4,950,003)	(\$11,463,860)	(\$3,822,084)	\$0	\$20,703,778
<u>General Partner</u>								
CHP II Management, LLC.	363,533	544	(66,341)	(50,000)	(115,797)	(38,607)	0	209,129
Total Partnership	\$36,353,255	\$54,323	(\$6,633,977)	(\$5,000,003)	(\$11,579,657)	(\$3,860,691)	\$0	\$20,912,907

TO: The Limited Partners

FROM: John J. Park

DATE: July 31, 2002

SUBJECT: Portfolio Valuations for June 30, 2002

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 June 30, 2002.

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 June 30, 2002. This valuation represents a decrease of \$905,415 from the valuation as of March 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>

PARKSTONE MEDICAL – In August 2001, ParkStone filed for bankruptcy protection under Chapter 11. At that time, we reduced the value of our ParkStone investment to \$250,000. In October 2001, CHP II received a distribution of \$113,583 representing the initial distribution of proceeds from the sale of ParkStone's assets. Accordingly, we have reduced the carrying value to \$136,417 (\$250,000 - \$113,583). At this value, the investment has an unrealized loss of \$2,325,275 on a cost basis of \$2,461,692. This valuation represents no change from our carrying value as of March 31, 2002.

Value Computation:

10% Secured Convertible Demand Note	
\$2,461,692 Remaining Principal (cost)	<u>\$136,417</u>

CHP II, L.P.
Portfolio Valuation Summary
For the Quarter ended June 30, 2002

<u>Portfolio Company</u>	<u>Investment</u>	<u>Fair Value 06/31/02</u>	<u>Fair Value 03/31/02</u>	<u>Change from Prior Quarter</u>	<u>Reason for Change</u>
Alnylam Pharmaceuticals, Inc.	\$1,000,000	\$1,000,000	\$0	\$1,000,000	New Investment (note 1)
AthenaHealth, Inc.	5,000,001	5,000,001	5,000,001	0	
CardioOptics, Inc.	1,750,000	1,750,000	0	1,750,000	New Investment (note 2)
Intellicare America, Inc.	4,000,000	2,464,585	3,370,000	(905,415)	Follow-on Investment (note 3)
IPhysicianNet, Inc..	5,757,897	5,757,897	5,757,897	0	
Mimeon, Inc.	1,000,000	1,000,000	0	1,000,000	New Investment (note 4)
Molecular Mining Corporation	1,509,060	1,509,060	1,509,060	0	
ParkStone Medical Information Systems.	2,461,693	136,417	136,417	0	
Rib-X Pharmaceuticals	1,125,000	1,125,000	1,125,000	0	
Total Portfolio	\$23,603,651	\$19,742,960	\$16,898,375	\$2,844,585	

- 1) On June 21, 2002, CHP II contributed \$1 million to a \$2 million seed financing for Alnylam Pharmaceuticals, Inc. The financing was co-led by Cardinal Partners and Polaris Venture Partners. The pre-money valuation for the financing was \$4 million.
- 2) On June 26, 2002, CHP II contributed \$1.75 million to the \$3 million first closing of a \$4.5 million first round financing for CardioOptics. The financing was led by Cardinal Partners and included Sequel Ventures. The effective pre-money valuation for the financing was \$4 million.
- 3) On May 31, 2002, CHP II invested \$1 million as part of a \$10.15 million second round financing for Intellicare. The financing was led by Canaan Partners and included Cutlass Capital and current investor Salix Ventures. Cardinal's contribution of \$1 million included the conversion of \$370K in prior period bridge notes. The financing had an effective pre-money value of \$8.5 million, resulting in a \$1.5 million (51%) markdown for our first round holdings.
- 4) On April 9, 2002, CHP II invested \$1 million as part of a \$4.4 million first round financing for Mimeon, Inc. The financing was led by Polaris Venture Partners. The financing carried a pre-money valuation of \$11 million.

TO: The Limited Partners

FROM: The General Partner

DATE: June 21, 2002

SUBJECT: Investment in Alnylam Pharmaceuticals, Inc.

On June 26, 2002, CHP II, L.P. (CHP II) invested \$1 million as part of a \$2 million seed financing for Alnylam Pharmaceuticals, Inc. (Alnylam). The financing was co-led by Polaris Venture Partners. The pre-money valuation of the financing was \$4 million. John Clarke will represent CHP II as Chairman of the Alnylam Board of Directors. At quarters' end, the company received commitments totaling \$15 million for a first round financing to close in the coming quarter. The combined financings will support research and development efforts and provide operating capital into 2004.

Alnylam Pharmaceuticals is a biopharmaceutical startup company that will develop the breakthrough technology of RNA interference (RNAi) for use in human therapeutics. The company is located in Cambridge, MA and its website can be found at www.alnylam.com.

History:

John Clarke, Christoph Westphal (Polaris Venture Partners) and an international group of scientists formed Alnylam in June 2002. The scientific founders of the company include Phillip Sharp (Director, McGovern Institute of Brain Research at MIT; Nobel Laureate; member of the National Academy of Sciences and founder of Biogen), Paul Schimmel (Professor, Scripps Institute; member of the National Academy of Sciences and founder of Cubist and Alkermes), and professors David Bartel (MIT), Tom Tuschl (Max Planck Institute) and Phillip Zamore (UMass Medical School) -- all pioneers of RNAi research.

At its core, Alnylam is developing technology that can specifically silence disease-causing genes. RNA interference is a natural cellular process that combats viral infections by degrading the viral genetic message before it can produce a protein. By adapting this process for therapeutic applications, it is hoped that any pathological gene can be "silenced" without interfering with the gene itself.

Previous methods for inhibiting expression of specific genes have employed antisense technology, and in special cases gene therapy methods. These approaches have proven inadequate due to poor delivery of the therapeutics, transient activity of the therapeutics, and in the case of gene therapy, concerns over the safety of the delivery system.

ALNYLAM PHARMACEUTICALS (cont.)

Technology:

The gene-silencing phenomenon was first observed in plants, and in 1998 the critical role of double-stranded RNA (dsRNA) was recognized in worms. Up until then, only single strand RNA, as used in antisense technology, was thought to have an effect on post-transcriptional gene expression. The application of dsRNA to induce RNA interference became a powerful tool for scientists to study the function of genes in many lower organisms, including worms and fruit flies. However, applying this to mammalian cells initially proved unworkable as dsRNA provokes a non-sequence specific response—the interferon pathway—normally used by mammalian cells to combat a viral infection. One of the consequences of this response is that cells commit suicide so as to avoid spreading the perceived virus to their neighbors. By developing a new, mechanism-based strategy for triggering RNAi, Tom Tuschl, one of the company's founders, circumvented this central limitation in applying RNAi to mammals.

The company's scientific founders were among the first to describe the mechanics by which a cell uses the sequence information in long dsRNA to target a corresponding messenger RNA (mRNA) for destruction. They showed that in the RNAi pathway, long dsRNA is cleaved into smaller segments called small interfering RNA (siRNA). These siRNAs act as guides, binding to the corresponding segments of an mRNA. In binding the mRNA, the siRNA guide recruits cellular enzymes that cleave and destroy the mRNA. In May of 2001, one of the founders, Tom Tuschl, demonstrated in research reported in *Nature* that siRNAs could be used to specifically suppress expression of genes in mammalian cells—with no unwanted, non-specific damage to the cell. The small size of the siRNAs enables them to knock down gene expression without provoking undesirable cellular responses, such as the interferon pathway.

In the few short years since its development, the RNAi technique has had a revolutionary effect on studies of non-mammalian systems. It has become the tool of choice for studying the function of genes in plants and simple organisms such as the fruit fly. The RNAi method enables a researcher to knock down a targeted gene without side effects, thereby revealing the function of the silenced gene. The discovery by the Alnylam founders of how to extend this method to mammalian cells will enable the application of this technology to the study of gene function in animal models of human disease and to the development of breakthrough human therapies.

Business Strategy:

Alnylam Pharmaceuticals will be focused on developing novel human therapeutics eliciting gene specific RNA interference. The company believes no one has yet made advances in applying this new technology to the creation of new pharmaceuticals, and that there is a profound opportunity to achieve dramatic medical results through gene silencing far beyond what antisense has accomplished in its time.

ALNYLAM PHARMACEUTICALS (cont.)

The intellectual property (IP) the founders bring to the company is sufficient to enter this field with a leadership position. Alnylam Pharmaceuticals intends to bring in the most important new IP being created by other academic researchers and ensure its dominant technological lead. Moreover, the company will leverage the experience and stature of its founders to create proprietary networks of science, drug delivery, animal studies and pre-clinical development to rapidly move the technology into proofs of concept in meaningful models of disease.

Competition:

A number of companies are currently interested in the applications of RNAi. In many cases, the companies' programs are not competing directly with Alnylam because the RNAi technology is directed towards non-therapeutic applications, or towards validation of biological targets for non-siRNA drugs. Examples of companies that have these types of programs are Genetecia, Sequitor, Ambion, Qiagen and Devgen.

More applicable to Alnylam are efforts underway at three small companies, Ribopharma, Mirus and Benitec. In addition, antisense technology companies, ISIS and Genta, will provide competition for Alnylam in specific therapeutic areas.

Ribopharma, Inc.

Ribopharma, Inc. was founded in early 2001 on RNAi technology from the University of Bayreuth in Germany. It is a privately held company that currently employs more than 20 people. The company claims to have induced RNAi in an animal model (mice) and is developing siRNA therapeutics, under the brand name SIRPLEX, for treatment of cancer and viral diseases. The company forecasts entering clinical trials with SIRPLEX in 2003.

Ribopharma represents the clearest competitive threat to Alnylam, as they are attempting to license intellectual property developed by some of the Alnylam founders, and have claimed patent rights for a large array of therapeutic application areas. We are currently negotiating a co-licensing agreement with Ribopharma and the Max Planck Institute that will resolve these issues.

Benitec Ltd.:

Benitec is a publicly traded company, listed on the Australian Stock Exchange in February of 1997. Benitec's technology is based on research performed in plants and drugs targeting plant viruses. Based on these studies, Benitec has attempted to extend their findings to mammalian cells and to the treatment of human diseases. On January 30, 2002, Benitec was awarded an Australian patent, which claims to be the world's first patent grant for RNAi-mediated gene silencing.

ALNYLAM PHARMACEUTICALS (cont.)

The intellectual property claimed by Benitec covers RNAi in mammalian cells and therapeutic application of gene silencing. Benitec's key activities currently are developing and licensing its gene silencing technology. To this end, however, Benitec does not have any corporate collaborations or partnerships targeting human therapeutics.

Mirus Technologies:

Mirus Technologies was founded in 1995 to commercialize gene transfer technology developed by Jon Wolff at the University of Wisconsin. Mirus currently employs over 45 scientists and managers, and believes to be the leader in the development of non-viral gene therapy systems. They have several commercial products available to aid in the delivery of nucleic acid drugs, including the TransIT In Vivo Polymer system for the non-viral gene therapy and the TransIT-TKO system for siRNA delivery *in vitro*. They claim to have delivered siRNA molecules to a mouse model and observed effective inhibition of gene expression. They are the only competitor to focus on developing and patenting the delivery system for siRNA drugs. On June 10, 2002, they were awarded a \$2MM grant to develop siRNA technology for drug discovery applications by the National Institute of Standards and Technology (NIST).

Isis Pharmaceuticals:

Founded in 1989, Isis Pharmaceuticals focuses on development of antisense therapeutics and has a market capitalization of \$390 million. They are credited with having the first antisense drug on the market: Vitravene, a treatment for CMV retinitis for AIDS patients, with sales of \$53 million in 2001. They have 11 antisense products currently in the pipeline targeting a wide variety of diseases, including cancer, HCV, psoriasis, Crohn's disease and multiple sclerosis. Isis has established corporate collaborations with five different pharmaceutical companies to develop their drugs. Two of these products are in phase III trials, and five are in phase II trials. Given that siRNA drugs may prove to be more effective than antisense drugs, the success of Isis points towards huge opportunities for Alnylam.

Genta, Inc.

Similar to Isis Pharmaceuticals, Genta Inc. develops antisense therapeutic products, but specifically for the treatment of cancer. Genta is a publicly traded company with \$513 million market capitalization. Their lead product, Genasense, is currently in three phase III trials and four phase II trials to treat various types of cancer. They recently completed a deal with Aventis worth \$480 million to develop their Genasense product. Genta may provide obstacles to Alnylam's development of cancer treatments that target the Bcl-2 family of genes. However, similar to Isis, Genta clearly illustrates the potential for gene-inhibition therapeutics.

ALNYLAM PHARMACEUTICALS (cont.)

Management:

The company currently has only one employee, John Conley, functioning as the acting Chief Operating Officer. The company is actively recruiting for multiple scientific positions, a Chief Scientific Officer and a Chief Executive Officer.

John G. Conley, Acting COO - Mr. Conley comes to Alnylam with over ten years of senior executive experience in strategy, business development, finance and marketing, with Biogen, Inc., a premier bio-pharmaceutical company. Prior to Biogen, Mr. Conley spent five years with the management-consulting firm, Bain and Company. Mr. Conley received a Bachelors of Science in Economics from the University of Pennsylvania, Wharton School in 1979 and an MBA from the Yale School of Management in 1985.

Scientific Founders:

Phillip A. Sharp, Ph.D. – Dr. Sharp is Founding Director of the McGovern Institute for Brain Research at the Massachusetts Institute of Technology (MIT), where he was named Institute Professor in 1999. Much of Dr. Sharp's scientific work has been conducted at MIT's Center for Cancer Research, which he joined in 1974 and directed from 1985 to 1991. He subsequently led the Department of Biology from 1991 to 1999. His research interests have centered on the molecular biology of gene expression relevant to cancer and the mechanisms of RNA splicing; his landmark achievement was the discovery of RNA splicing in 1977. Dr. Sharp's research opened an entirely new area in molecular biology and forever changed the field. For this work he shared the 1993 Nobel Prize in Physiology or Medicine with Dr. Richard Roberts who did work in parallel at Cold Spring Harbor. He is an elected member of the National Academy of Sciences, the Institute of Medicine, the American Academy of Arts and Sciences, and the American Philosophical Society.

Dr. Sharp earned a B.A. degree from Union College and a PhD in chemistry from the University of Illinois, Champaign-Urbana in 1969. He did his postdoctoral training at the California Institute of Technology, where he studied the molecular biology of plasmids from bacteria in Professor Norman Davidson's laboratory. Prior to joining MIT, he was Senior Scientist at Cold Spring Harbor Laboratory.

Paul Schimmel, Ph.D. – Dr. Schimmel is a renowned researcher and entrepreneur. Dr. Schimmel has focused his research on decoding genetic information and interpreting the universal code. Having a longstanding interest in the applications of basic biomedical research to human health, Dr. Schimmel is a co-founder of three publicly traded biotechnology companies. A member of the National Academy of Sciences, the American Society for Biochemistry and Molecular Biology, and an elected fellow of the American Association for Advancement of Science, Dr. Schimmel has been named a

ALNYLAM PHARMACEUTICALS (cont.)

recipient of the Biophysical Society's Emily M. Gray Award, for his "significant contributions to teaching and education in biophysics." He served as an editorial board member of ten different scientific journals and is the author and co-author of over 260 publications and scientific papers.

Paul Schimmel is a 1962 graduate of Ohio Wesleyan University and holds a Ph.D from the Massachusetts Institute of Technology, where he taught from 1967 to 1997 with his most recent position being the John D. and Catherine T. MacArthur Professor of Biochemistry and Biophysics.

Thomas Tuschl, Ph.D. – Dr. Tuschl is an EMBO Young Investigator and group leader at the Max Planck Institute for Biophysical Chemistry in Goettingen, Germany. His research interests are sequence-specific post-transcriptional regulatory mechanisms of gene expression in mammalian cells. He graduated in chemistry in 1995 from the University of Regensburg, Germany and continued his scientific education as postdoctoral fellow at the Massachusetts Institute of Technology and the Whitehead Institute in Cambridge, Massachusetts. For the development of small interfering RNAs as new tool for knocking down gene expression in mammalian cultured cells, he received the EMBO Young Investigator Award, the Springer Young Investigator Award of the German-French Society of Cell Biology, and the Professorial Stipend of the "Fonds der Chemischen Industrie". Recently, he was appointed as Associate Professor at the Rockefeller University in New York.

Phillip D. Zamore, Ph.D. – Dr. Zamore received his A.B. (1986) and his Ph.D. (1992) from the Department of Biochemistry and Molecular Biology at Harvard University. He received a Life Sciences Research Foundation Fellowship to do postdoctoral work at the Whitehead Institute at the Massachusetts Institute of Technology. He joined the Department of Biochemistry and Molecular Biology at the University of Massachusetts Medical School as a faculty member in November 1999 and is a 2000 Pew Scholar in the Biomedical Sciences.

David P. Bartel, Ph.D. – David Bartel was appointed an Associate Member of the Whitehead Institute and assistant professor of biology at MIT in 1996. Dr. Bartel's studies of ribozymes—enzymes composed of RNA—offer a potential new source of catalysts for medical science. Dr. Bartel came to the Institute in 1993 as a Whitehead Fellow after completing his PhD in virology at Harvard University. Prior to beginning his graduate studies, he was a rural-development worker in Zambia, Africa, from 1984 to 1987. In 1997, Bartel received a Searle Scholar Award. In 1999, he was appointed to the Irwin and Helen Sizer Career Development Professorship at MIT. Dr. Bartel was named a Member of the Whitehead Institute in 2002.

ALNYLAM PHARMACEUTICALS (cont.)

Financial Projections:

Alnylam is a development stage bio-pharmaceutical company and therefore will likely not generate product revenues for some time. The initial seed financing of \$2 million will be used primarily to fund patent and licensing arrangement, recruitment of the core research and management team and the attainment of suitable lab and office space. The company has completed a term sheet for a second round of financing that is expected to fund the company through proof of concept. A third financing round is forecast for early 2004.

Outlook:

Alnylam's attractiveness stems from the high quality of the scientific founding team and the explosive potential that RNAi has to treat many disease classes. With considerable advantages over antisense-based therapeutics, the market potential for RNAi-based drugs appears large. These therapeutics can potentially be applied to all viral infections, as well as cancer, obesity and many genetic diseases. All of these areas offer blockbuster potential. However, this is truly a seed stage company, and it is still unclear how long the development process will take and how much capital will be required.

Alnylam Pharmaceuticals has terrific potential and we are very excited about the prospects for the company.

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

Web-Based Business Practice Management Services for Physician Offices

Period Summary: 2nd Quarter 2002

Sales performance for the quarter met expectations, but did not fully compensate for the underperformance in the previous quarter. The result was lower than forecast YTD revenues and service implementations. Cash flow was behind forecast for the quarter, but on plan for the year.

Net sales for the current quarter were on plan at \$4.5 million. However, due to the weak sales results from Q1, net sales for the first six months of 2002 are 27% below plan. The quality of sales continues to show improvement, with higher margins in both service and implementation. The Siemens relationship continues to be a primary driver for new accounts. The company's sales pipeline for Q3 is robust with annual recurring revenue of \$27 million, nearly six times the Q3 sales budget of \$4.5 million.

June was a record month for implementations with 199 providers and over \$2.8 million in annual recurring revenue entering the system. Implementations for the quarter and YTD were over 20% behind plan due to the decreased sales from Q1 2002. Average implementation cycle time has remained at 5.5 months, but new sales are occurring primarily in established markets and therefore are expected to lead to shorter cycle times. Overall implementations for 2002 are now forecast to be \$2.2 million lower than budget.

Other financial performance metrics for the quarter were below plan as a result of the weaker than expected Q1 sales. Revenues were a record \$2.3 million for the quarter, but 33% below plan. Gross margin improved from 4% to 8% during the quarter. The positive trend in margins should continue as well-priced accounts sold in Q1 and Q2 are implemented. Operating Expenses are slightly lower than plan primarily from lower headcount. Combining these elements resulted in lower than expected net income and cash flow for the quarter. A \$2.5 million working capital line was put in place in June, bringing cash flow for the year in line with expectations.

While the financial results for the quarter were somewhat disappointing, the company continues to build momentum. Sales consistency remains a priority and the company has initiated a search for an experienced Senior Vice President of Sales to guide the effort.

ATHENAHEALTH, INC (cont.)

FINANCIAL RESULTS: (\$000)

Overview: (FYE 12/31)

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

* Subject to Audit

Last Three Months: Quarter Ended June 30, 2002

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	2,318	3,805	-1,487
Direct Expenses	2,455	2,581	+126
SG&A	2,725	2,783	+58
EBIT	-2,862	-1,559	-1,303
Interest and Taxes	-3	-2	-1
Net Income	-2,865	-1,561	-1,304

Fiscal Year-to-Date: Six Months Ended June 30, 2002

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	4,439	5,770	-1,331
Direct Expenses	4,599	4,774	+175
SG&A	5,245	5,423	+178
EBIT	-5,405	-4,427	-978
Interest and Taxes	21	45	-24
Net Income	-5,384	-4,382	-1,002

ATHENAHEALTH, INC. (cont.)

Summary Balance Sheet as of June 30, 2002: (\$000)

Cash	\$ 12,576	Accounts Payable	\$ 392
Accounts Receivable	1,250	Accrued Expenses	1,178
Other Current Assets	<u>499</u>	Other Current Liabilities	<u>1,139</u>
Total Current Assets	14,325	Total Current Liabilities	2,709
Net PP&E	2,953	Long Term Debt - Lease line	4,385
Intangibles (Net)	0	Shareholders Equity	43,332
Other Assets	<u>1,735</u>	Retained Earnings	<u>-31,413</u>
Total Assets	<u>\$19,013</u>	Total Liabilities & Equity	<u>\$19,013</u>

Comments:

The company has more than adequate capital to support operations through 2003. Cash burn for the year is 4% behind plan, due primarily to lower than forecast revenues. Management has revised its expectations for attaining cash flow breakeven from late 2002 to April 2003. At that time, management forecasts the cash balance to be just over \$7 million.

CHP II, L.P. Holdings:

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

% Ownership (Full Dilution) 6.2%

Company Valuation at Cardinal Cost	\$81.3 million
Company Valuation at Assigned Fair Value	\$81.3 million

Outlook:

We remain very enthusiastic about the prospects for Athena, 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.

TO: The Limited Partners
FROM: The General Partner
DATE: June 26, 2002
SUBJECT: Investment in CardioOptics, Inc.

On June 26, 2002, CHP II, L.P. ("Cardinal") invested \$1.75 million as part of a \$3 million initial closing to a \$4.5 million first round financing for CardioOptics, Inc. ("CardioOptics"). The financing was led by Cardinal and included Sequel Venture Partners as co-investor. The company expects to close on an additional \$1.5 million in Q3 2002, to include a new investor contributing \$1 million and Cardinal and Sequel an additional \$250K each. Brandon Hull will represent Cardinal as a Director along with Geoff Pardo as an observer on the company's Board of Directors. CardioOptics has developed an endoscopic imaging technology based on infrared light that allows surgeons to see through blood and has the potential to facilitate many interventional cardiology procedures in a minimally invasive manner.

The pre-money valuation of the financing was \$4 million, including an expansion of the employee stock option pool and the conversion of existing investor notes totaling \$650K. After the second closing of the financing, CHP II owns 24% of the company on a fully diluted basis. The financing will support further research and development efforts and fund preliminary human trials for the company's lead product.

The company is headquartered in Boulder, CO and its website can be found at www.cardiooptics.com.

History:

Two physicists, David Amundson and John Hanlin, who were investigating better ways to provide guidance to surgeons and interventional cardiologists with optical technology, formed CardioOptics in 1998. Building on Mr. Hanlin's involvement with the development of military optical systems to see through smoke, fog, rain and clouds, the founders theorized that as blood consists of particles (red blood cells) suspended in an otherwise clear media, plasma, then infrared imaging approaches used to see through smoke and fog could be adapted to see through blood, with optical resolution and real time video presentation. In 1998, the founders filed for a patent on the core technology that was subsequently granted on January 23, 2001. CardioOptics has trademarked this invention as Trans-Blood VisionTM (also known as TBVTM).

CARDIO-OPTICS, INC. (cont.)

Market Opportunity:

CardioOptics is committed to becoming the technology and market leader in remote visualization to guide internally placed therapeutic products anywhere blood currently obscures vision. The company's technology represents a paradigm shift in the basic imaging tools used in these areas. Trans-Blood Vision is a platform technology that has the potential to dramatically improve many significant clinical procedures. CardioOptics has identified over a dozen immediate clinical needs in four major market segments including:

- Congestive Heart Failure (CHF) – Visual guidance for biventricular pacing. This new therapy will help thousands of CHF patients, but is very difficult to implant utilizing current optics technology. CardioOptics will enable its widespread implantation through direct vision.
- Atrial Fibrillation – Provide the much-anticipated direct guidance for ablation therapy techniques to address this widespread disease of aging affecting the heart.
- Interventional Cardiology – Provide a high resolution, direct intuitive view and lower cost alternative to Intra-vascular Ultrasound for use in sizing, placing and adjusting appliances for major vessel repair, such as stents.

Other clinical applications include: direct catheter intervention for use in heart valve repair or septal defect repair; use of the catheter to locate and eradicate blood flow blocking thrombus; provide a real time, multi-modal approach to detect and visualize vulnerable plaque lesions and then guide the needed therapy; and in ophthalmology for direct therapy where blood in the eye blocks view of the retina.

Together these market segments offer a total potential market for use of the CardioOptics technology in excess of \$2 billion annually¹.

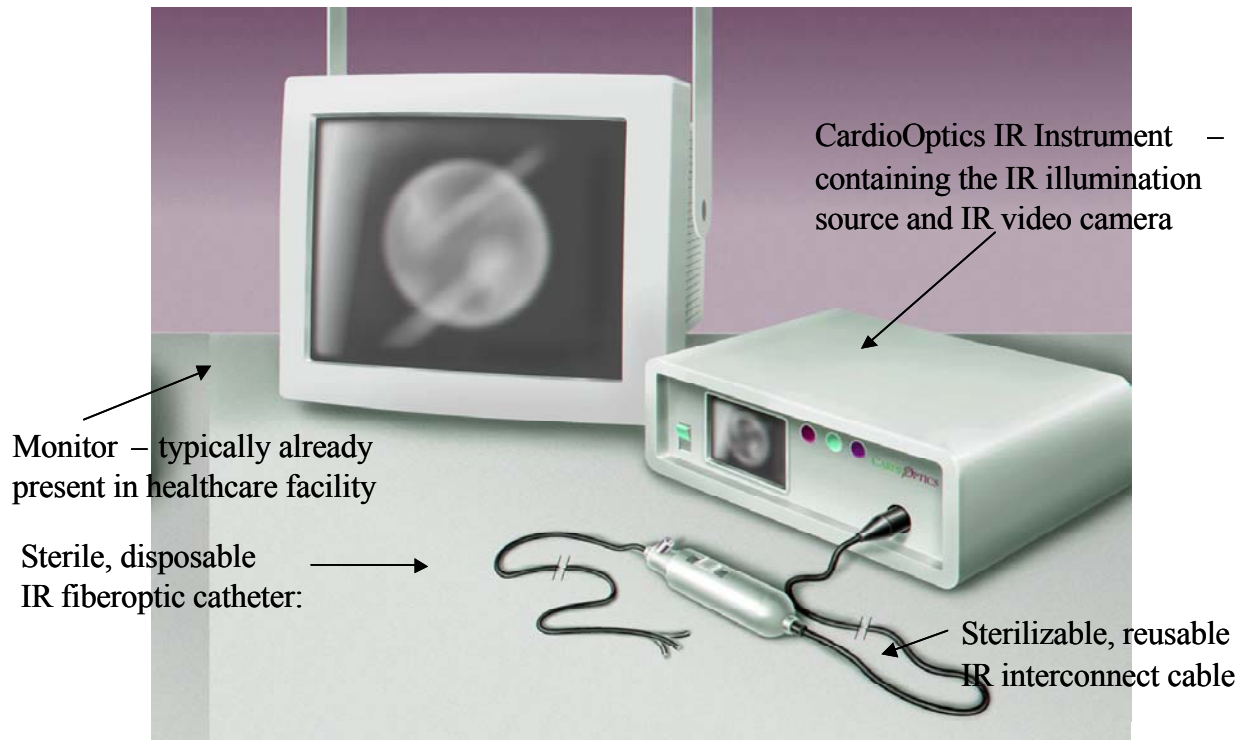
Initially the company will target those market segments that demonstrate the greatest market demand while taking into consideration the technology requirements, regulatory issues, reimbursement and similar considerations inherent in addressing those markets. Based upon these criteria, Congestive Heart Failure is the company's first focus application. Biventricular pacemakers were first approved by the FDA in the latter half of 2001. This is a new market and expectations are high. However, only a small number of cardiologists can currently perform the implantation procedure due to complications in placing the device using current technology. The CardioOptics device will greatly enhance the ability to perform the procedure by virtually any physician who currently implants normal pacemakers. Management estimates it will receive FDA approval to market its first TBV™ product and generate initial product sales by Q3 2003.

¹ Source – Paine Webber

CARDIO-OPTICS, INC. (cont.)

Proprietary Technology:

As shown in the system diagram below, real-time Trans-Blood Vision™ showing internal vascular, heart, and other tissue structures is displayed on the video monitors currently installed in the hospital catheterization laboratory, operating room, or similar areas.



The CardioOptics Infrared (IR) Instrument (about the size of a VCR) contains the optics and electronics to project an infrared light through the IR interconnect cable and the disposable Trans-Blood Vision Fiber™ assembly and onto the tissue structures of interest. An image guide contained within the disposable fiber assembly brings the image of the tissue structures back to the interconnect cable, and in turn back to the IR Instrument where a special infrared camera converts the image to a video output signal. The overall system is very much like existing flexible endoscopy systems, except that it uses a special infrared light and can therefore see through blood.

A variety of sizes and types of disposable TBV™ fiber assemblies will be produced to address clinical site access needs. The construction of these flexible fiber assemblies, and their tip configurations are similar to those used for existing flexible endoscopes. The construction methods, materials, and FDA approval pathway for such assemblies are therefore well established.

CARDIO-OPTICS, INC. (cont.)

Competition:

There is currently no known direct competitor to the TBV™ technology being developed by CardioOptics. One Israeli based startup, Cbyond, has developed a flexible, disposable, high-image-quality camera that fits on the end of an endoscope or catheter for use in three-dimensional intra-vascular imaging. The company claims to produce resolutions that are 5 to 10 times better than fiber optic cameras of similar size by using polarized light for illumination. Cbyond is targeting the interventional cardiology market and expects to begin clinical trials in 2002. The company has limited capital resources and it remains to be seen if they will prove to be a direct competitor to CardioOptics.

Other potentially competitive technologies currently on the market include; non-catheter imaging systems, catheter-imaging systems, Magnetic Resonance Imaging and Optical Coherence Tomography.

Non-Catheter Imaging Systems

Non-catheter imaging systems include: X-ray radiographs, X-ray tomography, and X-ray fluoroscopy. Of these, X-ray fluoroscopy is the only real-time option, and it is the most commonly used imaging system for catheter-based procedures. In fact, this technology is core to constructing a catheterization laboratory. It provides an outside-looking-in view in two dimensions. The arm of the fluoroscope rotates around the patient, so the doctor can see two-dimensional views from a variety of angles, and try to interpret the three-dimensional geometry.

In most ways, x-ray fluoroscopy is complimentary to the CardioOptics technology. TBV™ will provide the internal view, the fluoroscope the external view. For many procedures, having fluoroscopy will likely always be required. For a few procedures, we speculate that direct vision may be all that's needed in the future.

Catheter Imaging Systems

Intra-vascular Ultrasound (IVUS) is the only currently employed catheter based imaging system. It creates a rather coarse image, like most ultrasound systems, and requires significant interpretation. The tip of the catheter scans the tissue radially - like taking a slice 360 degrees around the tip. It is not forward looking. One can recreate a three-dimensional representation by pulling the catheter back through a vessel and having the computer put the "slices" together and construct what the vessel looks like. This cannot be done in real time, and tools cannot be guided in real time. One advantage of IVUS is that it can see deep inside the tissue, far past the vessel wall.

CARDIO-OPTICS, INC. (cont.)

Only 5-10% of coronary intervention procedures employ ultrasound. The difficulty of interpretation, lack of real time ability and cost of IVUS have limited its widespread use. Once TBV™ gains use in this market, and especially when we add tissue characterization capabilities, we expect the market to expand significantly as our use percentage increases. Boston Scientific and Jomed currently have IVUS based products on the market.

Magnetic Resonance Imaging (MRI)

So far there's little real time surgery that can be performed in an MRI field. However, there is at least one company working on such modalities. This may be especially important for certain brain surgery applications. The technique would employ a special MRI device and non-magnetic tools designed to work in the high-magnetic field environment.

Use of MRI in surgical application does not much overlap with Trans-Blood Vision™. This is a very high cost, capital equipment intensive approach, providing only an exterior view, though it can be manipulated in very interesting ways, differing from fluoroscopy. The leaders in the MRI market are General Electric and Siemens.

Optical Coherence Tomography

Optical Coherence Tomography (OCT) is an interesting new technology using infrared light. It is a catheter-based technology, and, like IVUS, it takes a radial slice look at the surrounding vessel. Also like IVUS, it can't produce a model of the inside of the vessel without being "pulled back" through the vessel, and having the computer reconstruct the image. In other words, it cannot be used in real time to look forward and guide tools. It also has not yet been able to penetrate blood. Saline flushes have been necessary. OCT can be expected to take some of the IVUS market once it becomes available. Being an optical system, it has much better resolution than ultrasound.

OCT is not real time, not forward looking, and can't be used to see through blood, guide tools, or navigate. It may do a better job than IVUS in some applications, however, and has a catheter size that can be made much smaller than a CardioOptics TBV™ catheter. OCT could potentially be competitive in the coronary artery intervention area. Siemens and Lightlab Imaging currently have OCT based products on the market.

Management:

The following is a short biography for each member of the management team at CardioOptics. There are no plans to hire additional senior management at this time.

CARDIO-OPTICS, INC. (cont.)

Larry Blankenship, President and CEO - Entrepreneur, engineer and inventor with over 20 years experience in medical device business development and product introductions, including successful business start-ups & acquisitions. Over this period, Mr. Blankenship has held senior executive positions with Eli Lilly, Pfizer, and Battelle. His product experience includes: cardiac catheterization, angioscopy, laparoscopy, interventional radiology and video endoscopy systems. Mr. Blankenship holds 9 US patents, 8 in medical devices. Mr. Blankenship has published several journal articles on rapidly and efficiently moving medical product concepts into production, including FDA approval.

David Amundson, Vice President, Research & Clinical Applications, co-Founder, Chairman of the Board - Physicist and inventor with over 20 years experience as a medical device industry senior executive with experience in product research and development, project management, and clinical studies. Product experience includes: pacemakers, electrodes, pacing catheters, angioplasty, catheter ablation and drug infusion. Mr. Amundson was Southwestern Regional Director of Clinical Research for St. Jude Medical for 10 years prior to founding CardioOptics. In addition, Mr. Amundson held senior executive positions with Cardiac Pacemakers, Inc. and Pacesetter Systems. Mr. Amundson holds 15 US and 12 European patents.

John Hanlin, Vice President of Operations & Technology, co-Founder - Physicist and inventor with over 20 years in advanced optical product research and development, project management, and manufacturing. Mr. Hanlin's experience includes operational and product management positions with leading optical companies such as Bausch & Lomb, DDX, and BioStar, as well as his own product development firms. Mr. Hanlin holds 4 US patents.

Michael Moore, Vice President of Business Development - Medical device marketing and sales executive with over 20 years leadership experience with the cardiovascular division of Johnson & Johnson and Pfizer's Valleylab division, as well as the successful start-up BioStar. Mr. Moore's experience includes senior management positions in marketing, sales, business development, strategic planning, product development and project management. His product experience includes: equipment for Heart-lung machines, porcine heart valves, electro surgery, laparoscopy, rapid diagnostic tests and drug delivery systems. Mr. Moore holds 1 US patent.

James Bornheimer, CFO and Project Coordinator - Mr. Bornheimer has more than 15 years experience as a medical device senior executive with experience in strategic planning, finance, operations management and profit management. His experience includes various strategic and product development positions with the operating divisions of Tyco, US Surgical and Pfizer. Previous to his operating roles, Mr. Bornheimer spent two years in Pfizer corporate auditing and four years with KPMG. Mr. Bornheimer is a Certified Public Accountant.

CARDIO-OPTICS, INC. (cont.)

Financial Projections:

CardioOptics expects to attain FDA approval to market its first product in the second half of calendar 2003. Initial product sales will follow shortly thereafter, with two additional products to be introduced in FY04 (FYE 12/31). Operating expenses for FY02 and the first half of FY03 consist primarily of: product development, regulatory submissions, clinical testing, establishment of manufacturing capabilities using qualified subcontractors and initiation of a domestic and international sales network. The financial forecast assumes there will be an additional financing round totaling \$6.5 million in FY03.

<i>Cardio-Optics</i>	Actual	Projected	Projected	Projected	Projected
(\$000)	FYE 12/01	FYE 12/02	FYE 12/03	FYE 12/04	FYE 12/05
Revenue	0	0	2,413	16,606	48,416
Cost of Goods Sold	0	0	1,181	7,761	21,638
Operating Expenses	-1,069	2,837	5,305	8,386	20,819
EBITDA	-1,069	-2,837	-4,703	459	5,959
Operating Cash Burn	-1,055	-2,750	-5,590	-3,341	-128

Outlook:

CardioOptics attractiveness stems from the potential paradigm shift for cardiology applications offered by the use of the Trans-Blood Vision™ technology. The company's stated goal is to become the market leader in internally placed products to guide therapy anywhere blood currently obscures vision. If their TBV™ technology proves to be effective in the marketplace, the opportunity is enormous. However, CardioOptics is still at an early stage of development, carrying all the inherent risks associated with a company at this stage.

With a solid investor syndicate and a potentially superior technology applicable in a large market, we are very excited about the prospects for our Cardio-Optics investment.

INTELLICARE AMERICA, INC.

South Portland, ME

{www.intellicare.com}

Integrated Telecommunications, Web and Data Networks for Patient Management

Period Summary: 2nd Quarter 2002

We are delighted to report that Intellicare successfully completed its Series "C" financing, closing a \$10.15 million financing during the quarter, led by Canaan Partners. This financing provides ample working capital to support operations for at least two years and into cash flow positive.

Operationally, following a disappointing first quarter, the second quarter also saw financial performance lag plan. There was continued weakness in major account sales, which were 50% below projections. The result was revenues for the quarter coming in 32% below budget. Gross margins are steady, approaching the goal of 32%. Operating expenses were ahead of plan. YTD revenues are 18% below plan, but the company remains slightly ahead of plan in terms of EBIT and net income. Expectations for the coming quarter are for a material improvement in financial results due to the addition of two significant new customers with improved pricing. In May, management revised its revenue forecast for 2002 from \$9.9 million to \$8.1 million.

Toward the end of the quarter, the company completed an operational reorganization, placing the outsourcing and client service groups under Rich Lester (CFO) in an effort to improve operational discipline. Additionally, the company hired Kevin Holst as Vice President of Business Development to focus primarily on major account development. Most recently, Kevin served from 1997-2001 as the director of Eastern Regional Sales for MedicalLogic/Medscape.

In early June, the company completed a \$10.15 million second round financing. Canaan Partners led the financing contributing \$5 million. Other significant participants include new investor Cutlass Capital (\$2.25 million) and current investors CHP II (\$1 million) and Salix Ventures (\$1 million). As part of the financing, CHP II has converted all of its previous convertible promissory notes (\$370K), plus accrued interest into this round. The financing was completed at a pre-money valuation of \$10 million, including an enlargement of the management option pool to almost 20% of the post-money value. After accounting for the option pool and effects of anti-dilution, the resulting valuation produces a 52% reduction to the carrying value of our July 2000 first round investment. Accordingly, we have recorded an unrealized loss for the period totaling \$1.5 million. While the valuation represents a markdown relative to the prior round, given the difficult capital markets for early stage companies, we are encouraged that the company has been able to close a significant financing with a top-tier institutional investor.

INTELLICARE AMERICA (cont.)

FINANCIAL RESULTS: (\$000)

Overview: (FYE 12/31)

	<i>2000 Actual</i>	<i>2001 Actual</i>	<i>2002 Budget*</i>
Revenues	3,807	5,483	8,116
Cost of Revenues	4,329	6,593	7,264
SG&A	1,987	3,159	4,475
EBIT	-2,509	-4,269	-3,623
Interest and Taxes	23	60	-50
Net Income	-2,486	-4,209	-3,673

Last Three Months: Quarter Ended June 30, 2002

	<i>Actual</i>	<i>Budget*</i>	<i>Variance</i>
Revenues	1,224	1,814	-590
Cost of Revenues	878	1,212	+334
SG&A	1,426	1,550	+124
EBIT	-1,080	-948	-132
Interest and Taxes	-50	-23	-27
Net Income	-1,130	-971	-159

Fiscal Year-to-Date: Six Months Ended June 30, 2002

	<i>Actual</i>	<i>Budget*</i>	<i>Variance</i>
Revenues	3,124	3,827	-703
Cost of Revenues	2,657	3,182	+525
SG&A	2,445	2,715	+270
EBIT	-1,978	-2,070	+92
Interest and Taxes	-82	-42	-40
Net Income	-2,060	-2,112	+52

* - Budget Revised – May 2002

INTELLICARE AMERICA (cont.)

Summary Balance Sheet as of June 30, 2002: (\$000)

Cash	\$ 8,250	Accounts Payable	\$ 671
Accounts Receivable	934	Accrued Payroll	405
Other Current Assets	<u>48</u>	Other Current Liabilities	<u>1,124</u>
Total Current Assets	9,232	Total Current Liabilities	2,200
Net PP&E	1,296	Long Term Liabilities	288
Intangibles (Net)	57	Shareholders Equity	18,538
Other Assets	<u>90</u>	Retained Earnings	<u>-10,351</u>
Total Assets	<u>\$10.675</u>	Total Liabilities & Equity	<u>\$10.675</u>

Comments:

During the quarter, the company completed a \$10.15 million financing. This capital will be sufficient to support operations for over two years and 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 Cardinal Cost	\$31.5 million
Company Valuation at Assigned Fair Value	\$20.1 million

Outlook:

With the closing of the second round financing, we remain optimistic about the prospects for our investment in IntelliCare.

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

eDetailing ASP Linking Pharmaceutical Companies and Physicians

Period Summary: 2nd Quarter 2002

For the quarter, iPhysicianNet (IPNI) continued to make progress, while resetting some of its objectives for 2002. The company signed its tenth pharmaceutical client and moved two more clients from Phase 1 to Phase 2. While under budget for revenues for the quarter, the company's financial performance remains ahead of plan for the year in terms of net income and cash flow. Management is in active negotiations with two Asian based firms and GE Capital to replace Hitachi for its equipment financing needs and hopes to have an agreement in place by the end on next quarter.

Revenues for the quarter were \$4.5 million, 22% below plan due to fewer installed physicians than budget, lower than expected utilization for the period and slippage in the installation of Client #10, Procter & Gamble, into the third quarter. Cost of sales for the period shows a 23% favorable variance to budget as a result of the Hitachi settlement, lower per-physician connection costs and fewer than budgeted installed physicians. Operating expenses were 15% over plan primarily due to increased software development and a reclassification of costs from cost of sales to operating expenses. Resulting net income for the period was on plan. Combining this with the better than expected performance in Q1 leaves YTD net income and cash flow 10% better than plan.

The signing of Procter & Gamble Pharmaceuticals in June gives IPNI its tenth pharmaceutical client. Eight of those ten clients have now completed Phase 1 and have moved into Phase 2, taking a minimum of 5,000 physicians. Management expects a ninth client, Johnson & Johnson, to move into Phase 2 in October. With these accomplishments, management has met the requirements stipulated by the investors to receive the \$5.6 million held in escrow from the financing completed last quarter. This money is not reflected in the June period balance sheet.

The company currently has 7,170 installed physicians, which is 10% below budget. Physician agreement cancellations are running higher than budget as a result of the active termination of "low-consensus" physicians from target physician lists received from current clients. In line with the focus on recruiting the high decile/busy practice physicians identified by the pharmaceutical client lists, management has revised downward its forecast for installed physicians by year-end from 12,300 to 8,000.

Management continues to do a good job of controlling overhead while moving forward with its client base in an unfavorable economic environment. Most of the key network and call metrics are trending favorably. We continue to track progress closely in concert with management and our co-investors.

iPHYSICIANNET (cont.)

FINANCIAL RESULTS: (\$000)

Overview: (FYE 12/31)

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

* - Subject to Audit

Last Three Months: Quarter Ended June 30, 2002

	<i>Actual</i>	<i>Budget**</i>	<i>Variance</i>
Revenues	4,539	5,860	-1,321
Cost of Sales	6,160	8,033	+1,873
SG&A	2,170	1,892	-278
EBIT	-3,791	-4,065	+274
Interest and Taxes	-308	-26	-282
Net Income (Loss)	-4,099	-4,091	-8

Fiscal Year-to-Date: Six Months Ended June 30, 2002

	<i>Actual</i>	<i>Budget**</i>	<i>Variance</i>
Revenues	8,876	9,949	-1,073
Cost of Sales	12,054	15,241	+3,187
SG&A	4,350	3,871	-479
EBIT	-7,528	-9,163	+1,635
Interest and Taxes	-632	-52	-580
Net Income (Loss)	-8,160	-9,215	+1,055

** - Budget approved February 2002

iPHYSICIANNET (cont.)

Summary Balance Sheet as of June 30, 2002: (\$000)

Cash	\$ 1,244	Accounts Payable	\$ 1,779
Accounts Receivable	508	Accrued Expenses	2,331
Other Current Assets	<u>921</u>	Deferred Revenue	<u>7,188</u>
Total Current Assets	2,673	Total Current Liabilities	11,298
Net PP&E	3,909	Long Term Debt	11,641
Intangibles (Net)	29	Shareholders Equity	73,889
Other Assets	<u>1,053</u>	Retained Earnings	<u>-89,164</u>
Total Assets	<u>\$ 7,664</u>	Total Liabilities & Equity	<u>\$ 7,664</u>

Comments:

Operating cash flow for the quarter was slightly behind plan. The balance sheet does not reflect the \$5.6 million held in escrow from the February financing, that was released to the company in early July. Management is closing in on its highest financial priority, replacing Hitachi as the company's source for equipment financing.

CHP II, L.P. Holdings:

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

Outlook:

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

TO: The Limited Partners
FROM: The General Partner
DATE: April 9, 2002
SUBJECT: Investment in Mimeon, Inc.

On April 9, 2002, CHP II, L.P. ("CHP II") invested \$1 million as part of a \$4.4 million first round financing of Mimeon, Inc. ("Mimeon"). Polaris Venture Partners led the financing. John Clarke will represent CHP II on the Mimeon Board of Directors. Mimeon is an early stage biopharmaceutical company dedicated to the development of novel therapeutic products for human diseases through the innovation and application of glycomics, the study of carbohydrates and polysaccharides (sugars). The company is establishing a leadership role in glycomic technologies and drug products.

The pre-money valuation of the financing was \$11 million. Post-financing, CHP II owns 6% of the company on a fully diluted basis. The investors have committed to invest an additional \$7 million in a subsequent financing round, solely at the company's option, at any time prior to June 30, 2003 for a pre-money valuation of \$23 million. CHP II's portion of this commitment is \$3.5 million. The combined financings will support research and development efforts and provide operating capital through the year 2003.

The founders and Polaris have funded the company to date through \$1.75 million in seed financings completed during the latter part of 2001. Mimeon is located in Cambridge, MA and its website can be found at www.mimeon.com.

History:

Mimeon was founded in 2001 based on breakthrough technology developed by co-founders Robert Langer, Ram Sasisekharan and Ganesh Venkataraman at the Massachusetts Institute of Technology (MIT). The technology enables, for the first time, a detailed characterization and engineering of the carbohydrates that coat proteins and cells. Just as the invention of the automated DNA sequencer and synthesizer in the mid-1980's opened up the field of genomics, the availability of such tools could fundamentally change glycomics.

The field of glycomics has in part been impeded by the lack of proper tools to decipher the complexity and information content of polysaccharides. Consequently attempts to develop improved, second generation products or new products by changing the sugar coating on specific molecules to alter biological function have been essentially brute-force, random, hit or miss modifications, with limited successes.

MIMEON, INC. (cont.)

Mimeon has developed technologies for the rapid sequencing and synthesis of carbohydrates and methodologies to follow the in vivo pharmacokinetics of glycomaterials. By addressing the steps that have previously limited the application of glycomics to drug development, Mimeon has made it feasible to rapidly perform directed structure activity relationship studies to determine what effect specific sugar structure changes have on key drug properties such as biological efficacy, half-life, absorption and elimination, tissue distribution and targeting, toxicity and bio-availability.

The commercial buzz is being created by the realization that a better understanding of sugar biology could ultimately lead to new drugs, new targets for conventional drugs and even improvements in the activity of existing drugs. Mimeon's discovery research programs are focused on characterizing and manipulating the sugar coats on approved glycoprotein therapeutics as well as on new molecules, to improve the pharmacological behavior of these compounds. Mimeon is evaluating a series of candidates from which it will select and focus its research efforts to further expand its drug candidate pipeline. The company is also developing proprietary technology for the pharmacokinetic monitoring and non-invasive delivery of polysaccharides.

Market Opportunity:

Polysaccharides are found on the surface of virtually every cell and most human proteins, providing a characteristic "sugar coat" that confers unique properties to the cell or protein. There are currently a number of glycosylated drug products on the market, including drugs with greater than \$1B in annual sales such as erythropoietin (Epogen, Procrit), G-CSF (Neupogen) and interferon *alpha2b* (IntronA, Rebetrone).

Mimeon's technology applied to specific protein therapeutics will result in novel drug candidates with altered and improved functionalities, potentially paving the way for significant, new market opportunities. Virtually all therapeutic proteins presently used clinically are glycosylated – i.e. contain a sugar coat on their surface. The potential market for these proteins is greater than \$10B. Specifically, the anti-coagulant drug heparin and low molecular weight heparin account for over \$3B in annual sales.

Aranesp is an example of a FDA approved, biochemically distinct, second-generation glycosylated protein drug. It is an analogue of the successful recombinant human Erythropoietin (EPO), which has a market of greater than \$4.0B. The difference between Aranesp and EPO is that Aranesp has two more N-linked carbohydrate chains than EPO resulting in a 3-fold longer serum half-life, greater in vivo potency, and can be administered less frequently to obtain the same biological response. This example is a successful demonstration of the development of a new drug with improved pharmaceutical properties to protect and broaden a franchise by changing the carbohydrate structure of a marketed product.

MIMEON, INC. (cont.)

Proprietary Technology:

The company's intellectual property consists of proprietary, in-house technology and a broad patent portfolio including over 20 patents and applications related to glycomic technologies methods, utilities and improved products.

The Mimeon technology platform is based on the high-resolution crystal structure of the 50S sub-unit of the ribosome obtained by the founders and their co-workers. Since the publication of their work in August 2000, their crystallography studies have advanced to include analysis of the structure of known antibiotics bound to the ribosome. The structural studies will be used to prime parallel lead optimization programs focused on evaluating new chemistry ideas about antibiotic interactions with drug targets.

Business Strategy:

Mimeon's business strategy is to accelerate value-building by (i) leveraging research discoveries from premier academic institutions for commercial application, (ii) establishing diverse product based pharmaceutical collaborations and (iii) discovering new drugs from "the top down", based upon marketed products as opposed to discovering new drugs from "the bottom up", based upon genomic sequence information. By establishing a close relationship with MIT and other premier universities, Mimeon has leveraged research and discovery expertise from the universities and obtained, through intellectual property licensing, a proprietary and leadership position in the core technologies of sequencing, manipulating and manufacturing polysaccharide molecules. Mimeon's broadly applicable glycomics technology platform can be widely leveraged to establish product based, pharmaceutical collaborations for different disease and product markets through collaborations with leaders in the specific therapeutic fields while providing Mimeon a revenue stream to pursue technology development and its own preclinical development programs. Since Mimeon is discovering and developing novel, second generation carbohydrate and polysaccharide drug candidates that are improvements to FDA approved and marketed products, this approach will likely reduce the risk of drug discovery, shorten the clinical development cycle, build market exclusivity and be less costly.

Mimeon's lead pre-clinical drug candidates, MIM101 and MIM103, are novel derivatives of the FDA approved anticoagulant polysaccharide heparin. By identifying and being able to accurately measure and monitor the glycosylated, active ingredient in the formulation, the company has developed a low molecular weight heparin enriches for specific polysaccharide compounds with improved and desired pharmaceutical properties to address unmet medical needs of this market place. Extensive preclinical studies and animal tests have been conducted. The initial focus is to advance the Company's pre-clinical programs into human trials and to establish corporate partnerships for the co-development and co-marketing of these compounds.

MIMEON, INC. (cont.)

Competition:

Multiple companies and research organizations are focusing on the area of glycomics as biologists are finding that minor differences in sugar structures can have a huge impact on biological functions. Mimeon's proprietary sequencing technology is a major breakthrough in the study of sugars that gives the company a clear advantage over current competitors. Interest from large pharmaceutical partners on all aspects of the Mimeon technology application is high and management expects to complete significant corporate partnership relationships within the first twelve months of operation.

A few of the leading companies focused on the commercial application of glycomics in the pharmaceutical therapeutic marketplace include:

Neose Technologies - Neose is a public company (NASDAQ:NTEC) located in Horsham, PA. The company has a portfolio of proprietary technologies for the synthesis and manufacture of complex carbohydrates. The Company's enzymatic glycosylation platform enables the rapid and cost-effective synthesis of a wide range of complex carbohydrates in commercial quantities. Neose's GlycoAdvance™ technologies enable the completion and correction of glycosylation in recombinant glycoprotein discovery, development and manufacture. The Company uses its broad, enabling technology to produce complex carbohydrates for pharmaceutical, biotechnology, nutritional and consumer product applications.

GlycoGenesys – Boston based biotechnology company focused on the development of carbohydrate-based cancer therapeutics. The company is currently in clinical trials with a carbohydrate derived from citrus pectin that attaches to a metastasis facilitating protein and instructs the cells to self-destruct. Its lead drug candidate, GBC-590, is in Phase II clinical trials for pancreatic and colorectal cancers. The company is publicly traded (NASDAQ small cap) under the symbol GLGS.

Oxford GlycoSciences – Oxford GlycoSciences Plc (LSE: OGS; NASDAQ: OGSI) is a UK based biopharmaceutical company applying proteomics technologies and glycobiology to the discovery, development and commercialization of novel therapeutic products. Their most advanced drug candidate in the glycobiology field, Vevesca™, is a small molecule that is being investigated for the oral treatment of Gaucher disease, a rare genetic disorder.

MIMEON, INC. (cont.)

Management:

The following is a short biography for each member of the start-up senior management team at Mimeon. The company currently has 10 employees and has already targeted the addition of several highly qualified scientists to work in product development and research. Current priorities include recruitment of senior management in the areas of Product Development and Research.

Alan L. Crane, Chairman and CEO - Prior to joining Mimeon, Mr. Crane served as Senior Vice President, Corporate Development at Millennium Pharmaceuticals where he led the Company's global merger and acquisition, strategic alliance, and licensing functions. During his tenure, he built one of the largest and most influential business development groups in the pharmaceutical industry. His group forged alliances providing over \$2 billion in funding to Millennium, fueling the Company's rapid growth. Under his leadership, Millennium created many of the largest alliances in the industry, including relationships with Aventis, Abbott, Bayer and Monsanto as well as the acquisitions of Cor Therapeutics and Leukosite. Prior to joining Millennium in 1997, Mr. Crane was vice president of business development at ChemGenics (which was acquired by Millennium), a marketing executive at DuPont Merck, and a consultant at the Boston Consulting Group.

Mr. Crane received his M.B.A. in 1992 and his B.A. and M.A. in 1986, all from Harvard University. He also attended Harvard Medical School from 1986 to 1988.

Ganesh Venkataraman Ph.D., Founder, Vice President Glycomics - Dr. Venkataraman was previously (i) Research Professor, (ii) Director Consortium for Functional Glycomics and (iii) Co-Director Center for Environmental Health Sciences, all at the Massachusetts Institute of Technology. Dr. Venkataraman won the 1999 CaPCure Research Award to study the role of complex polysaccharides in prostate cancer.

Susan K. Whoriskey, Ph.D., Vice President Licensing and Business Development - Prior to joining Mimeon, Dr. Whoriskey was the Senior Director of Scientific Licensing at Cubist Pharmaceuticals, Inc., where she negotiated a number of collaboration, licensing and technology acquisition deals.

Robert Langer, Ph.D., Founder and Director - Mr. Langer, the Kenneth J. Germeshausen professor of chemical and biomedical engineering at the Massachusetts Institute of Technology, holds 380 patents, has published 680 articles and 13 books, has licensed products to over 75 companies, and is known as the father of controlled drug delivery and tissue engineering. He has also won more than 80 major scientific awards, including the \$500,000 Lemelson-MIT Prize and was named by Cable New Network and Time Magazine as one of the 100 most important people in the United States.

MIMEON, INC. (cont.)

Ram Sasisekharan, Ph.D., Founder and Director – Dr. Sasisekharan is a leading expert on carbohydrate structure and biology. He is a tenured Professor in the Division of Biological Engineering at M.I.T. in Cambridge, MA. He has won several awards including the Young Investigator Award from both the Beckman Foundation and the Burroughs Wellcome Fund, and is a three-time recipient of the CaPCure Award, awarded by the CaPCure Foundation to outstanding prostate cancer research programs. He is a named inventor on five issued patents and seven patents pending and has authored or coauthored 50 publications.

Financial Projections:

Mimeon is a development stage biopharmaceutical company and therefore will likely not generate product revenues for some time. Management projects growth to 25 employees by the end of 2002 and almost 50 employees by the end of 2003. The financing is expected to give the company adequate operating capital to support operations into Q2 2003. The company has the option to call an additional \$7 million from the current investors.

<u>Mimeon, Inc.</u>	Actual	Projected	Projected
(\$000)	FYE 12/01	FYE 12/02	FYE 12/03
Revenue	0	0	0
Research Expenses	0	2,190	6,354
Operating Expenses	140	3,206	-8,000
EBITDA	-140	-3,206	-8,000
Annual Net Cash Burn	-140	-3,838	-7,954

Outlook:

Mimeon's platform technology has the potential for an incredibly broad array of applications. It could improve the profile of many currently marketed glycoprotein drugs, bring insights in how to better delivery mechanisms for small and large molecule drugs and provide the basis for development of new therapeutics in the fields of oncology, cardiology and immunology. Additionally, CEO Alan Crane has a stellar record of accomplishment and will be able to attract substantial partnering interest from large pharmaceutical companies. We are very enthusiastic about the prospects for our investment in Mimeon.

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

Software Tools for Genomics Research

Period Summary: 2nd Quarter 2002

Financial results for Q2 2002 were behind plan due mostly to underperformance in collaborations and software sales outside North America. During the quarter the company announced the successful completion of the IBM co-marketing arrangement and the MMC discoveries collaboration with the University of California at San Francisco to investigate the effects of interferon β (IFNB) therapy on multiple sclerosis patients.

YTD Product sales through June are 60% of budget. The company's high-end product, Genelinker™ Platinum, which was released during the quarter, has outperformed forecasts and has been well received in the marketplace. Sales of the Genelinker™ Gold product outside of North America, particularly Europe, continue to be the main downfall on the revenue side. A solid second quarter for North American Gold sales has brought the region close to plan. The company has experienced some competitive reaction in the marketplace tailored to attack specific weaknesses in the Gold product. All of these issues are being addressed in R&D with improved functionality to roll out in two phases over July and September. Distribution and OEM relationships outside of North America continue to be slow to develop. The IBM partnership has introduced the company to potential partners in Germany and Asia. Management is working on additional co-marketing arrangements with Motorola, Affymetrix and Spotfire.

Revenue generating collaborations were \$108K below plan due to slippage in closing two significant deals with J&J and Avalon. Management believes that these are timing issues and do not represent lost revenue. They remain confident in their ability to close sufficient collaborative deals in Q3 and Q4 to bring the company close to its revenue targets by year-end. The collaborations pipeline has increased over 50% during the quarter, with an even stronger growth in later-stage discussions. New marketing initiatives developed by the team is focusing program offerings in predictive toxicology, personalized medicine, target discovery and drug screening. These efforts appear to be bearing fruit.

During the quarter, management has continued to keep expenses in line with the development of its sales channels. Expenses for the period were 9% higher than plan primarily from one-time expenditures related to moving into new offices and unforecasted cost of sales for the hardware associated with Platinum sales. The company remains ahead of plan for the year in terms of net income and cash flow.

The investor syndicate has begun a concerted effort to explore strategic relationships with other bioinformatics companies. Multiple companies have been contacted and initial meetings have begun with potential merger and/or top-branded co-marketing targets.

MOLECULAR MINING CORPORATION (cont.)

FINANCIAL RESULTS: (\$000)

Overview: (FYE 12/31)

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

Last Three Months: Quarter Ended June 30, 2002

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	248	506	-258
Cost of Sales	87	0	-87
Operating Expenses	1,466	1,416	-50
EBIT	-1,305	-910	-395
Interest and Taxes	16	36	-20
Net Income	-1,289	-874	-415

Fiscal Year-to-Date: Six Months Ended June 30, 2002

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	310	598	-288
Cost of Sales	87	0	-87
Operating Expenses	2,354	2,495	+141
EBIT	-2,131	-1,897	-234
Interest and Taxes	35	85	-50
Net Income	-2,096	-1,812	-284

MOLECULAR MINING CORPORATION (cont.)

Summary Balance Sheet as of June 30, 2002: (\$000)

Cash	\$ 2,981	Accounts Payable	\$ 65
Accounts Receivable	304	Accrued Expenses	194
Prepaid Expenses	<u>55</u>	Notes Payable	<u>0</u>
Total Current Assets	3,340	Total Current Liabilities	259
Net PP&E	282	Long Term Debt	0
Intangibles (net)	187	Shareholders Equity	10,282
Other Assets	<u>0</u>	Retained Earnings	<u>-6,732</u>
Total Assets	<u>\$ 3,809</u>	Total Liabilities & Equity	<u>\$ 3,809</u>

Comments:

Cash burn for the quarter was 10% higher than plan, primarily related to moving into new offices and a one-time negative currency exchange of \$47K. Cash balance remains ahead of plan and the company has adequate capital to support operations through the first quarter of 2003.

CHP II Holdings:

Series B Convertible Preferred Stock	737,422 shares
Assigned Fair Value (cost)	\$1,509,060
Investment Cost	\$1,509,060
Cost per Share	\$2.05

% Ownership (Full Dilution)	8.2%
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Company Valuation at Cardinal Cost	\$18.0 million
Company Valuation at Assigned Fair Value	\$18.0 million

Outlook:

We are cautiously optimistic about the prospects for Molecular Mining.

PARKSTONE MEDICAL INFORMATION SYSTEMS, INC.

Weston, FL

{www.parkstonemed.com}

Handheld Formulary, Referral and Billing Management Tool for Physicians

Period Summary: 2nd Quarter 2002

There is little to report for the quarter regarding the final disposition of ParkStone. The remaining funds in escrow from the sale of the company's assets are being held until all claims by the unsecured creditors are adjudicated. Our counsel is working with the creditor committee to address their issues and reach a settlement. The creditors committee has proven to be fairly unreasonable to deal with and this process is taking much longer than anticipated and our counsel has asked for an arbitrator to resolve the situation. We now expect a second distribution for the secured creditors of approximately \$750K to occur at the end of 2002 at the earliest. CHP II will receive 32.31% of any future distribution to the secured creditors.

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

CHP II, L.P. Holdings:

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

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

Structure-Based Design of Anti-Infective Agents

Period Summary: 2nd Quarter 2002

The Rib-X team made great progress during the quarter. Research results have exceeded expectations resulting in the acceleration of the company's preclinical studies capability. Recruiting has gone well with the hiring of an experienced Chief Financial Officer and several candidates identified for the Vice President of Chemistry position. Corporate partnering discussions have proceeded, but the unfavorable economic and market environment has impacted the pace of discussions and the number of potential partners.

The drug discovery program at Rib-X is in full swing. In the last two months, the chemistry team has made significant inroads in the pursuit of identifying compounds with potent, broad-spectrum antibacterial activity against antibiotic resistant organisms. Of the compounds produced thus far, one in particular exhibits very favorable *in vitro* antibacterial activity against a rigorous panel of drug-resistant pathogens, especially against the key Gram-positive respiratory pathogen *Streptococcus pneumoniae*. This early success advances the need for preclinical studies to begin to test *in vivo* drug-like parameters for this compound and its relatives. These studies were not originally budgeted to begin until the first quarter of 2003 and will necessitate the more rapid building of in-house pharmacology and analytical chemistry. In addition, the company will move more rapidly to expand its chemistry resource to support the multiple provisional patent applications they are beginning to file. Management will report the impact of these important added expenses on the 2002 budget in the coming quarter.

In May, the company successfully recruited Robert A. Conerly as Vice President of Finance and Chief Financial Officer. Mr. Conerly joins Rib-X from Pharmion Corporation in Boulder, Colorado, where as Chief Financial Officer and Vice President of Finance, he led the specialty pharmaceutical company through a \$65 million private equity financing in November of 2001. Prior to Pharmion, Mr. Conerly spent six years at AstraZeneca PLC, both in the US and Europe, in numerous financial positions. Mr. Conerly began his professional career at Price Waterhouse Coopers.

The opening of the company's new facility on George Street in New Haven has been pushed back to the end of July due to delays in completing the build-out. The facilities financing and equipment financing agreements have been completed and activated. Management has kept expenses in line with expectations to date.

Overall, the company is making terrific progress at this early stage.

RIB-X PHARMACEUTICALS, INC. (cont.)

FINANCIAL RESULTS: (\$000)

Overview: (FYE 12/31)

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

Last Three Months: Quarter Ended June 30, 2002

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	0	0	0
R&D Expenses	1,026	1,044	+18
Operating Expenses	273	385	+112
EBIT	-1,299	-1,429	+130
Interest and Taxes	16	-28	+44
Net Income	1,283	-1,457	+174

Fiscal Year-to-Date: Six Months Ended June 30, 2002

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	0	0	0
R&D Expenses	1,668	1,804	+136
Operating Expenses	1,137	950	-187
EBIT	-2,805	-2,754	-51
Interest and Taxes	43	-28	+71
Net Income	-2,762	-2,782	+20

RIB-X PHARMACEUTICALS, INC. (cont.)

Summary Balance Sheet as of June 30, 2002: (\$000)

Cash	\$ 1,892	Accounts Payable	\$ 399
Accounts Receivable	84	Accrued Expenses	0
Other Current Assets	<u>35</u>	Notes Payable	<u>513</u>
Total Current Assets	2,011	Total Current Liabilities	912
Net PP&E	3,866	Long Term Debt	0
Intangibles (net)	0	Shareholders Equity	9,342
Other Assets	<u>260</u>	Retained Earnings	<u>-4,117</u>
Total Assets	<u>\$ 6,137</u>	Total Liabilities & Equity	<u>\$ 6,137</u>

Comments:

The facility build out has exacerbated cash burn for the first six months of the year as Rib-X prepares its permanent facilities for occupancy in July. The June cash balance does not reflect amounts received in July from the facilities and equipment credit arrangements. With the \$12.5 million second closing of the Series A financing due later this year, the company has adequate financial resources to operate into 2004.

CHP II Holdings:

Series A Convertible Preferred Stock	1,817,741 shares
Assigned Fair Value (cost)	\$1,125,000
Investment Cost	\$1,125,000
Cost per Share	\$0.6189

% Ownership (Full Dilution)	7.07%
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Company Valuation at Cardinal Cost	\$15.9 million
Company Valuation at Assigned Fair Value	\$15.9 million

Outlook:

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