

**CHP II, L.P.**  
**QUARTERLY REPORT**  
**3<sup>rd</sup> QUARTER, 2002**

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**3<sup>rd</sup> QUARTER, 2002**  
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TO: The Limited Partners  
FROM: John K. Clarke  
DATE: October 31, 2002  
SUBJECT: Activity for the Quarter Ended September 30, 2002

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During the second quarter, CHP II completed its tenth investment and one follow-on investment. Activity for the period in the existing portfolio was primarily positive, highlighted by the completion of a lightening quick second round financing at Alnylam and solid progress towards a major corporate deal at Momenta. Following are short summaries of activity for the quarter in each of our portfolio companies.

***Alnylam Pharmaceuticals*** – Just over a month from completing the seed financing, Alnylam closed on a \$15 million first round financing led by Atlas Ventures. CHP II contributed \$3.25 million to this financing that also included co-founder Polaris Venture Partners and new investor Arch Venture Partners. The round carried a pre-money value of \$15 million, a 2.5X step-up from our seed round investment.

***AthenaHealth*** – While sales were disappointing for the quarter, Athena is just \$4 million in new sales from attaining its break-even point. The quality of sales continues to show improvement with the resulting improvement in gross margins. Athena is now operating at a \$15 million annual run rate, with a very strong sales backlog reinforcing its recurring revenue business model.

***CardioOptics*** – Cardio-Optics made good progress toward its near-term goals of product development and animal testing. We have been encouraged by the company's success in completing significant product development partnerships. Responding to continued investor interest, in early October, the company added another \$1.5 million to the initial \$3 million financing.

***IntelliCare America*** – Q3 was characterized by a mix of revenue disappointments, positive operating results, the initiation of several key partnership relationships and the completion of a key recruiting assignment. Revenues for 2002 are now expected to reach \$7.6 million, with break-even projected within twelve months. Gross margins turned positive mid-quarter showing the effect of both scale economies and better pricing discipline.

***iPhysicianNet (IPNI)*** – The company completed an equipment financing facility that alleviates its primary cash flow concern. While revenues were below plan, cash flow and net loss remain ahead of plan for the year. At a \$20 million in annual run-rate revenues, iPhysician stands alone as the premier player in the "e-detailing" space.

***Mobile Medical*** – CHP II contributed \$2.5 towards the \$16 million first closing of a \$26 million financing for Mobile Medical Industries, Inc. Mobile Medical is the leading provider of at home health care services for the elderly in the State of Florida.

***Molecular Mining*** – Sales of the company’s software products have been disappointing, leading to a refocusing of the sales effort to building a profitable North America only franchise. Revenues from collaborations exceeded forecast and the company remains ahead of plan for the year in terms of cash flow. Management has been given a clear mandate to attain profitability by mid-2003.

***Momenta*** – Progress during the quarter in product development, corporate partner discussions, senior management recruitment and building on its intellectual property base, all continued the company’s strong early progress. Overall progress and prospects at Momenta are excellent.

***Rib-X Pharmaceuticals*** – Research progress continues to exceed expectations and the company is accelerating the development of its preclinical studies infrastructure. The senior management team is near completion. The company completed a \$3 million facilities and equipment financing line and moved into its new facilities at the beginning of September.

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

#### **Investment Activity:**

CHP II invested a \$2.5 million in the first round financing for Mobile Medical. Additionally, CHP II contributed \$3.25 million to the \$15 million first round financing for Alnylam, led by new investor Atlas Ventures.

#### **Deal Flow:**

During the quarter, we have reviewed 160 business proposals. Current “A” deals include Artemis Medical, Artromick, Breonics, Genyx Medical, MicroDose Technologies, Replication Medical, Solace Therapeutics, TCI Optics, USPGI and Vascular Sciences Corporation. 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 two capital calls totaling \$6.2 million. Utilization of these funds included \$5.8 million in portfolio investment and to pay fund operating expenses and fees. Cash on hand at the end of the period was \$729,542. Cumulative capital contributions to date are \$42.6 million or 36% of total capital commitments. Net income for the quarter totaled \$767K consisting of operating expenses for the period, plus a \$1.5 unrealized gain related to the markup of our seed round investment in Alnylam.

#### **Looking forward:**

The Limited Partner Annual Meeting will take place at the St. Regis Hotel in New York City on Monday, November 4<sup>th</sup>. 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.

Report for the Quarter Ended September 30, 2002

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

	Three Months Ended 09/30/02	Nine Months Ended 09/30/02
Revenue:		
Non Portfolio Income	\$2,755	\$4,423
Interest-Equivalent Amounts	0	0
Expenses:		
Management Fee	734,217	2,202,652
Professional Fees	4,500	15,283
NVCA Dues & Expenses	0	5,173
Amortization of Organization Costs	0	0
Annual Meeting & Miscellaneous	0	1,237
Total Expenses	738,717	2,224,345
Net Operating Expense	(735,962)	(2,219,922)
Investment Income	3,390	23,058
Net Income Before Gains (Losses)	(732,572)	(2,196,864)
Realized Gains (Losses)	0	0
Unrealized Gains (Losses)	1,500,000	(35,415)
Net Income (Loss)	\$767,428	(\$2,232,279)

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

<b>ASSETS:</b>	Period Ended 09/30/02	Period Ended 06/30/02
Cash and Short-Term Investments	\$729,542	\$990,691
Accrued Interest	18,969	15,579
Venture Capital Investments	26,992,960	19,742,960
Organization Costs (Net of Accum. Amortization)	0	0
Other Assets	<u>202,364</u>	<u>172,677</u>
	<u><u>\$27,943,835</u></u>	<u><u>\$20,921,907</u></u>
 <b>LIABILITIES &amp; CAPITAL:</b>		
Accrued Expenses and Payables	\$13,500	\$9,000
Partners' Accounts	<u>27,930,335</u>	<u>20,912,907</u>
Total Liabilities and Capital	<u><u>\$27,943,835</u></u>	<u><u>\$20,921,907</u></u>

**CHP II, L.P.**  
**Footnotes**  
**As of September 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	09/30/02	06/30/02
	<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	09/30/02	06/30/02
	<u>                    </u>	<u>                    </u>
GP Promissory Note Principal	\$202,364	\$172,677
Offset against Partners' Capital	<u>0</u>	<u>0</u>
Total	<u><u>\$202,364</u></u>	<u><u>\$172,677</u></u>

Note 4 – Accrued Expenses	09/30/02	06/30/02
	<u>                    </u>	<u>                    </u>
Professional Fees	\$13,500	\$9,000
NVCA Dues & Annual Meeting	0	0
Accrued Management Fees	<u>0</u>	<u>0</u>
Total	<u><u>\$13,500</u></u>	<u><u>\$9,000</u></u>

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

	Three Months Ended 09/30/02	Nine Months Ended 09/30/02
<b>Cash flows from operating activities</b>		
Net Income Before Gains (Losses)	(\$732,572)	(\$2,196,864)
Adjustments to reconcile net income before gains (losses) to net cash used in operating activities:		
Accrued Interest Receivable	(3,390)	(8,522)
Accrued Organization Costs	-	-
Other Assets	-	-
Accrued Expenses & Payables	4,500	(11,748)
Net Cash used in Operating Activities	(731,462)	(2,217,134)
<b>Cash flows from investing activities</b>		
Purchases of venture capital investments	(5,750,000)	(11,257,897)
Sales of venture capital investments	-	-
Net cash used in investing activities	(5,750,000)	(11,257,897)
<b>Cash flows from financing activities</b>		
Cash contributions by partners	6,220,313	13,785,293
Cash distribution to partners	0	0
Net cash provided by financing activities	6,220,313	13,785,293
 Net Change in Cash and Short Term Investments	 (261,149)	 310,262
Cash and Short Term Investments, beginning	990,691	419,280
Cash and Short Term Investments, ending	\$729,542	\$729,542



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

<b>Company</b>	<b>Debt</b>	<b>Equity</b>	<b>Total Cost</b>	<b>Fair Value</b>	<b>Unrealized Gain (Loss)</b>
Alnylam Pharmaceuticals	\$0	\$4,250,000	\$4,250,000	\$5,750,000	\$1,500,000
AthenaHealth, Inc.	0	5,000,001	5,000,001	5,000,001	0
Cardio-Optics, Inc.	0	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
Momenta Pharmaceuticals, Inc.	0	1,000,000	1,000,000	1,000,000	0
Mobile Medical Industries		2,500,000	2,500,000	2,500,000	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	\$26,891,958	\$29,353,651	\$26,992,960	(\$2,360,691)

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

	Partners' Total Subscription	Contributions Account 06/30/02	Period Contribution in Cash	Period Contribution by Note	Contributions Account 09/30/02	Partners' Outstanding Subscription
<u>Limited Partners</u>						
State Teachers Ret. System of Ohio	\$30,000,000	\$9,283,677	\$1,596,087	\$0	\$10,879,764	\$19,120,236
Nassau Capital Funds	10,000,000	3,094,559	532,029	0	3,626,588	6,373,412
Robert Wood Johnson Foundation	10,000,000	3,094,559	532,029	0	3,626,588	6,373,412
Northwestern University	10,000,000	3,094,559	532,029	0	3,626,588	6,373,412
LACERA	10,000,000	3,094,559	532,039	0	3,626,588	6,373,412
Textron Master Trust	10,000,000	3,094,559	532,029	0	3,626,588	6,373,412
Wachovia Investors, Inc. (First Union)	7,500,000	2,320,920	399,022	0	2,719,942	4,780,058
Pension Commissioners of City of LA	5,000,000	1,547,280	266,015	0	1,813,295	3,186,705
Princess Private Equity	5,000,000	1,547,280	266,015	0	1,813,295	3,186,705
Hillside Capital Incorporated	3,500,000	1,083,094	186,210	0	1,269,304	2,230,696
Hamilton Lane-Carpenters Fund	3,000,000	928,367	159,609	0	1,087,976	1,912,024
UNISYS Master Trust	3,000,000	928,367	159,609	0	1,087,976	1,912,024
Venture Investment Associates III, L.P.	2,300,000	711,747	122,367	0	834,114	1,465,886
Fleet Growth Resources (Summit)	2,000,000	618,913	106,406	0	725,319	1,274,681
S.R. One Limited	2,000,000	618,913	106,406	0	725,319	1,274,681
Pharma BioDevelopment, Inc.	2,000,000	618,913	106,406	0	725,319	1,274,681
Private Equity Holdings II, Ltd.	1,000,000	309,456	53,203	0	362,659	637,341
	\$116,300,000	\$35,989,722	\$6,187,500	\$0	\$42,177,222	\$74,122,778
<u>General Partner</u>						
CHP II Management, LLC.	1,174,747	363,533	32,813	29,687	426,033	748,714
Total Partnership	\$117,474,747	\$36,353,255	\$6,220,313	\$29,687	\$42,603,255	\$74,871,492

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

	Private Securities	Public Securities	Cash	Other Assets	Total Assets	Accrued Expenses	Net Assets 09/30/02
<u>Limited Partners</u>							
State Teachers Ret. System of Ohio	\$6,893,301	\$0	\$186,306	\$56,523	\$7,136,130	(\$3,448)	\$7,132,682
Nassau Capital Funds	2,297,768	0	62,102	18,841	2,378,711	(1,149)	2,377,562
Robert Wood Johnson Foundation	2,297,768	0	62,102	18,841	2,378,711	(1,149)	2,377,562
Northwestern University	2,297,768	0	62,102	18,841	2,378,711	(1,149)	2,377,562
LACERA	2,297,768	0	62,102	18,841	2,378,711	(1,149)	2,377,562
Textron Master Trust	2,297,768	0	62,102	18,841	2,378,711	(1,149)	2,377,562
Wachovia Investors, Inc. (First Union)	1,723,326	0	46,576	14,131	1,784,033	(862)	1,783,171
Pension Commissioners of City of LA	1,148,882	0	31,051	9,421	1,189,354	(575)	1,188,779
Princess Private Equity	1,148,882	0	31,051	9,421	1,189,354	(575)	1,188,779
Hillside Capital Incorporated	804,217	0	21,736	6,594	832,547	(402)	832,145
Hamilton Lane-Carpenters Fund	689,328	0	18,632	5,652	713,612	(345)	713,267
UNISYS Master Trust	689,328	0	18,632	5,652	713,612	(345)	713,267
Venture Investment Associates III, L.P.	528,485	0	14,283	4,333	547,101	(263)	546,838
Fleet Growth Resources (Summit)	459,554	0	12,420	3,768	475,742	(230)	475,512
S.R. One Limited	459,554	0	12,420	3,768	475,742	(230)	475,512
Pharma BioDevelopment, Inc.	459,554	0	12,420	3,768	475,742	(230)	475,512
Private Equity Holdings II, Ltd.	229,779	0	6,210	1,884	237,873	(115)	237,758
	\$26,723,030	\$0	\$722,247	\$219,120	\$27,664,397	(\$13,365)	\$27,651,032
<u>General Partner</u>							
CHP II Management, LLC.	269,930	0	7,295	2,213	279,438	(135)	279,303
Total Partnership	\$26,992,960	\$0	\$729,542	\$221,333	\$27,943,835	(\$13,500)	\$27,930,335

**CHP II, L.P.**  
**Statement of Partners' Capital Accounts \***  
**For the Nine Months Ended September 30, 2002**

<u>Limited Partner</u>	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 09/30/02
State Teachers Ret. System of Ohio	\$4,165,819	\$3,536,929	\$1,130	(\$562,151)	\$0	(\$561,021)	(\$9,045)	\$0	\$7,132,682
Nassau Capital Funds	1,388,607	1,178,977	377	(187,384)	0	(187,007)	(3,015)	0	2,377,562
Robert Wood Johnson Foundation	1,388,607	1,178,977	377	(187,384)	0	(187,007)	(3,015)	0	2,377,562
Northwestern University	1,388,607	1,178,977	377	(187,384)	0	(187,007)	(3,015)	0	2,377,562
Textron Master Trust	1,388,607	1,178,977	377	(187,384)	0	(187,007)	(3,015)	0	2,377,562
LACERA	1,388,607	1,178,977	377	(187,384)	0	(187,007)	(3,015)	0	2,377,562
Wachovia Investors (First Union)	1,041,455	884,233	282	(140,538)	0	(140,256)	(2,261)	0	1,783,171
Pension Commissioners of City of LA	694,302	589,489	187	(93,692)	0	(93,505)	(1,507)	0	1,188,779
Princess Private Equity	694,302	589,489	187	(93,692)	0	(93,505)	(1,507)	0	1,188,779
Hillside Capital Incorporated	486,010	412,642	132	(65,584)	0	(65,452)	(1,055)	0	832,145
Hamilton Lane-Carpenters Fund	415,680	354,593	113	(56,215)	0	(56,102)	(904)	0	713,267
UNISYS Master Trust	416,580	353,693	113	(56,215)	0	(56,102)	(904)	0	713,267
Venture Investment Associates III	319,378	271,164	87	(43,098)	0	(43,011)	(693)	0	546,838
Fleet Growth Resources (Summit)	277,722	235,795	75	(37,477)	0	(37,402)	(603)	0	475,512
S.R. One Limited	277,722	235,795	75	(37,477)	0	(37,402)	(603)	0	475,512
Pharma BioDevelopment, Inc.	277,722	235,795	75	(37,477)	0	(37,402)	(603)	0	475,512
Private Equity Holdings II, Ltd.	138,861	117,898	38	(18,738)	0	(18,700)	(301)	0	237,758
	\$16,148,588	\$13,712,400	\$4,379	(\$2,179,274)	0	(\$2,174,895)	(\$35,061)	\$0	\$27,651,032
<u>General Partner</u>									
CHP II Management, LLC.	26,369	72,893	44	(22,013)	0	(21,969)	(354)	0	76,939
Total Partnership	\$16,174,957	\$13,785,293	\$4,423	(\$2,201,287)	\$0	(\$2,196,864)	(\$35,415)	\$0	\$27,727,971

\* - 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 September 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	\$10,879,764	\$14,575	(\$1,881,928)	(\$1,276,869)	(\$3,144,422)	(\$602,860)	\$0	\$7,132,682
Nassau Capital Funds	3,626,588	4,860	(627,309)	(425,624)	(1,048,073)	(200,953)	0	2,377,562
Robert Wood Johnson Foundation	3,626,588	4,860	(627,309)	(425,624)	(1,048,073)	(200,953)	0	2,377,562
Northwestern University	3,626,588	4,860	(627,309)	(425,624)	(1,048,073)	(200,953)	0	2,377,562
LACERA	3,626,588	4,860	(627,309)	(425,624)	(1,048,073)	(200,953)	0	2,377,562
Textron Master Trust	3,626,588	4,860	(627,309)	(425,624)	(1,048,073)	(200,953)	0	2,377,562
Wachovia Investors, Inc. (First Union)	2,719,942	3,644	(470,482)	(319,218)	(786,056)	(150,715)	0	1,783,171
Pension Commissioners of City of LA	1,813,295	2,427	(313,655)	(212,812)	(524,040)	(100,476)	0	1,188,779
Princess Private Equity	1,813,295	2,427	(313,655)	(212,812)	(524,040)	(100,476)	0	1,188,779
Hillside Capital Incorporated	1,269,304	1,700	(219,558)	(148,968)	(366,826)	(70,333)	0	832,145
Hamilton Lane-Carpenters Fund	1,087,976	1,458	(188,194)	(127,687)	(314,423)	(60,286)	0	713,267
UNISYS Master Trust	1,087,976	1,458	(188,194)	(127,687)	(314,423)	(60,286)	0	713,267
Venture Investment Associates III	834,114	1,118	(144,282)	(97,893)	(241,057)	(46,219)	0	546,838
Fleet Growth Resources (Summit)	725,319	971	(125,462)	(85,125)	(209,616)	(40,191)	0	475,512
S.R. One Limited	725,319	971	(125,462)	(85,125)	(209,616)	(40,191)	0	475,512
Pharma BioDevelopment, Inc.	725,319	971	(125,462)	(85,125)	(209,616)	(40,191)	0	475,512
Private Equity Holdings II, Ltd.	362,659	487	(62,731)	(42,562)	(104,806)	(20,095)	0	237,758
	\$42,177,222	\$56,507	(\$7,295,610)	(\$4,950,003)	(\$12,189,106)	(\$2,337,084)	\$0	\$27,651,032
<u>General Partner</u>								
CHP II Management, LLC.	426,033	571	(73,694)	(50,000)	(123,123)	(23,607)	0	279,303
Total Partnership	\$42,603,255	\$57,078	(\$7,369,304)	(\$5,000,003)	(\$12,312,229)	(\$2,360,691)	\$0	\$27,930,335

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TO: The Limited Partners

FROM: John J. Park

DATE: October 15, 2002

SUBJECT: Portfolio Valuations for September 30, 2002

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Investment securities held by CHP II, L.P. (the “Partnership”) have been valued in accordance with the Standard Valuation Policy of the Partnership. In accordance with the Policy, we propose to value restricted securities at cost, until subsequent events of a significant nature indicate the need for a change. This memorandum delineates the portfolio valuation calculations proposed by the General Partner for those investments not valued at cost, as of September 30, 2002.

**ALNYLAM PHARMACEUTICALS** – In July 2002, Alnylam completed a \$15.4 million first round financing at \$2.50 per share, valuing the company at \$20.15 post-money. New investor Atlas Ventures led the financing, with CHP II contributing \$3.25 million. We propose to value our investment on the basis of this financing, resulting in an unrealized gain of \$1,500,000 on our cost basis of \$4,250,000 as of September 30, 2002. Including the \$3.25 million in new investment, this valuation represents an increase of \$4,750,000 from the valuation as of June 30, 2002.

**Value Computation:**

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

**CHP II, L.P.**  
**Portfolio Valuations as of September 30, 2002**  
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**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 September 30, 2002. This valuation represents no change from the valuation as of June 30, 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 June 30, 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 September 30, 2002**

<u>Portfolio Company</u>	<u>Investment</u>	<u>Fair Value</u> <u>09/30/02</u>	<u>Fair Value</u> <u>06/30/02</u>	<u>Change from</u> <u>Prior Quarter</u>	<u>Reason for Change</u>
Alnylam Pharmaceuticals, Inc.	\$4,250,000	\$5,575,000	\$1,000,000	\$4,750,000	Follow-on Investment (note 1)
AthenaHealth, Inc.	\$5,000,001	\$5,000,001	\$5,000,001	0	
CardioOptics, Inc.	\$1,750,000	\$1,750,000	\$1,750,000	0	
Intellicare America, Inc.	\$4,000,000	\$2,464,585	\$2,464,585	0	
IPhysicianNet, Inc..	\$5,757,897	\$5,757,987	\$5,757,897	0	
Mimeon, Inc.	\$1,000,000	\$1,000,000	\$1,000,000	0	
Mobile Medical Industries	\$2,500,000	\$2,500,000	\$0	\$2,500,000	New Investment (note 2)
Molecular Mining Corporation	\$1,509,060	\$1,509,060	\$1,509,060	0	
ParkStone Medical Information Systems	\$2,461,693	\$136,417	\$136,417	0	
Rib-X Pharmaceuticals	\$1,125,000	\$1,125,000	\$1,125,000	0	
Total Portfolio	\$29,353,651	\$26,992,960	\$19,742,960	\$7,250,000	

1) On July 27, 2002, CHP II contributed \$3.25 million to a \$15.4 million first round financing for Alnylam Pharmaceuticals, Inc. The financing led by Atlas Ventures and included Arch Venture Partners and current investors Cardinal and Polaris Venture Partners. The pre-money value for the financing was \$15 million.

2) On August 9, 2002, CHP II contributed \$2.5 million towards the initial close of a \$23 million second round financing for Mobile Medical Industries. The financing was led by Three Arch Partners and also included GE Capital. The effective pre-money value for the financing was \$20 million.



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

**Therapeutics Based on the Novel Biological Mechanism of RNA Interference**

Period Summary: 3rd Quarter 2002

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Alnylam had an excellent start up quarter. Shortly after closing our \$2 million seed round in June, we were approached by a number of venture firms seeking the opportunity to invest in the company. In August, the company closed on a \$15million first round with new investors, Arch Venture Partners and Atlas Venture Partners, leading the financing and seed investors, Cardinal and Polaris each participating. Cardinal invested \$3.25 million in this round, which was priced at a \$15 million pre-money value, or 2.5 times the seed round value. This financing should carry company operations for approximately 18-24 months.

The company found short term leased space in Cambridge in the quarter, built out about 5,000 square feet of lab space and received all the necessary approvals to begin lab operations. Initial experimental programs are in the design phase and should get underway early next period. The company has set up several research collaborations with academic labs to accelerate some initial animal model experiments. These programs should get underway early next quarter as well.

Also during the quarter, the company reached preliminary agreement with M.I.T. and the Max Planck Institute covering the major patents related to the scientific founders' work at those respective institutions. The agreements should go to final contracts in the next quarter. We believe that this intellectual property position will greatly enhance the company's opportunity to control significant parts of this newly emerging field and play an essential role in positioning the company for future strategic alliances with large pharmaceutical companies.

Near the end of the quarter, the company reached agreement with our leading candidate to join the company as President and CEO. This person is a senior manager at a public biotechnology firm and well known and highly regarded throughout the biotech and pharmaceutical industry. He will join Alnylam at the end of November.

Overall, this was a very good quarter for the company.

## ALNYLAM PHARMACEUTICALS (cont.)

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

Overview: (FYE 12/31)

	<i>2002 Budget</i>	<i>2003 Estimate</i>
Revenues	0	0
Cost of Sales	0	0
SG&A	-1,365	-4,361
EBIT	-1,365	-4,361
Interest and Taxes	55	111
<b>Net Income</b>	<b>-1,310</b>	<b>-4,250</b>

Last Three Months: Quarter Ended September 30, 2002

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	0	0	0
Cost of Sales	0	0	0
SG&A	455	455	0
EBIT	-455	-455	0
Interest and Taxes	15	15	0
<b>Net Income</b>	<b>-440</b>	<b>-440</b>	<b>0</b>

Fiscal Year-to-Date: Nine Months Ended September 30, 2002

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	0	0	0
Cost of Sales	0	0	0
SG&A	455	455	0
EBIT	-455	-455	0
Interest and Taxes	15	15	0
<b>Net Income</b>	<b>-440</b>	<b>-440</b>	<b>0</b>

## ALNYLAM PHARMACEUTICALS (cont.)

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

Cash	\$ 16,992	Accounts Payable	\$ 78
Accounts Receivable	0	Accrued Expenses	21
Other Current Assets	<u>16</u>	Other Current Liabilities	<u>0</u>
Total Current Assets	17,008	Total Current Liabilities	99
Net PP&E	22	Long Term Debt - Lease line	0
Intangibles (Net)	0	Shareholders Equity	17,371
Other Assets	<u>0</u>	Retained Earnings	<u>-440</u>
Total Assets	<u>\$17,030</u>	Total Liabilities & Equity	<u>\$17,030</u>

### Comments:

Alnylam has raised over \$17 million since its inception in May. The company is slowly building infrastructure and is predicted to have a monthly burn rate of \$350K by year-end. Management expects the current funds to last well into 2004.

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

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

### Outlook:

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

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

**Web-Based Business Practice Management Services for Physician Offices**

Period Summary: 3rd Quarter 2002

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Sales performance for the quarter was productive, though still behind plan. The company is now only \$4 million shy of breakeven in terms of new sales of recurring annual revenue contracts. The probability of achieving the sales-to-breakeven goal in Q4 is high given the size of the pipeline (\$44 MM), the historical strength the company has shown in Q4 sales, the enhanced selling activity from partners and the addition of Bob Hueber as Senior Vice President of Sales.

Net sales for the quarter were \$1.5 million, 51% behind plan due to a combination of a lengthened sales cycle related to summer seasonal factors and prospect concerns about service issues via client references. The quality of contract pricing was good, with overall margins expected to be over 50%. New implementations for the quarter totaled \$2.2 million contributing to an overall 28% increase in revenues for Q3 as compared to Q2. October should be the largest go-live month since June, with more than \$2 million of recurring annual revenue being added to the system. Implementation cycle times are below 5 months and management expects a further reduction will take place in the near term.

Operationally, a lengthy executive search for a Sr. VP of Sales culminated in the hiring of Bob Hueber. Bob was the top salesperson for IDX, the leading software systems company for hospital based physician practices. Bob comes to the company with some non-compete provisos, but we believe that over the longer term he will prove to be a significant addition to the team.

Revenue, margins and net income remain substantially below budget because of cumulative sales / implementation delays, primarily from Q1, as compared to plan. Cash burn and head count are still ahead of plan for the year. Operating cash burn for the month of September improved to \$345K. Driven by the implementation of new contracts, gross margins continue to trend favorably, improving from 22% to 27% during the quarter. Service performance is improving rapidly, but sustaining this will require continuous management focus until it is routine.

While the new sales results for the quarter were disappointing, the company continues to build solid momentum towards breakeven, powered by its dependable recurring revenue model. Sales consistency remains a priority and the hiring of experienced Senior Vice President of Sales to guide the effort is a significant step forward.

**ATHENAHEALTH, INC (cont.)**

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

Overview: (FYE 12/31)

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

\* Subject to Audit

Last Three Months: Quarter Ended September 30, 2002

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	3,317	5,585	-2,268
Direct Expenses	2,623	2,924	+301
SG&A	2,995	2,936	-59
EBIT	-2,301	-275	-2,206
Interest and Taxes	-48	-33	-15
<b>Net Income</b>	<b>-2,349</b>	<b>-308</b>	<b>-2,041</b>

Fiscal Year-to-Date: Nine Months Ended September 30, 2002

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	7,756	11,355	-3,599
Direct Expenses	7,222	7,698	+476
SG&A	8,240	8,359	+119
EBIT	-7,706	-4,702	-3,004
Interest and Taxes	-27	12	-39
<b>Net Income</b>	<b>-7,733</b>	<b>-4,690</b>	<b>-3,043</b>

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

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

Cash	\$ 11,301	Accounts Payable	\$ 258
Accounts Receivable	1,926	Accrued Expenses	1,275
Other Current Assets	<u>471</u>	Other Current Liabilities	<u>4,048</u>
Total Current Assets	13,698	Total Current Liabilities	5,581
Net PP&E	2,823	Long Term Debt - Lease line	3,262
Intangibles (Net)	0	Shareholders Equity	43,334
Other Assets	<u>1,852</u>	Retained Earnings	<u>-33,804</u>
Total Assets	<u>\$18,373</u>	Total Liabilities & Equity	<u>\$18,373</u>

**Comments:**

Cash burn for the year is slightly ahead of behind plan, due primarily to lower than forecast headcount. Management expects to reach cash flow break even during Q2 2003. At that time, the forecasted cash balance is 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.

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

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

Period Summary: 3rd Quarter 2002

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During the first full quarter of our involvement with this new investment, Cardio-Optics made good progress toward its near-term goals of product development and animal testing. Lab results continue to trend favorably, with image quality improving both in depth of field and clarity. Meanwhile, the company has done a great job building its Scientific Advisory Board and Investigator panels, which include some of the most prestigious names in electro physiology, interventional cardiology, and cardiac surgery.

Responding to ongoing investor interest, the company elected to hold open the seed round through the quarter, and added another \$1.5M to the initial \$3M financing. Primus Venture Partners contributed \$1M to the expanded round, in which Cardinal extended its position by \$250K. The financing actually closed on October 1, 2002 and therefore is not reflected in the financial section of this report.

We have been encouraged by Cardio-Optics success in completing significant product development partnerships. The company has a spartan; cash efficient development strategy that we believe can yield significant value creation on existing cash. We believe that at present activity levels, Cardio-Optics is on track to achieve its target of initiating human clinical studies by mid 2003.

**CARDIO-OPTICS, INC. (cont.)**

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

Overview: (FYE 12/31)

	<i>2001 Actual*</i>	<i>2002 Budget</i>
Revenues	0	0
Cost of Sales	0	0
SG&A	1,069	2,837
EBIT	-1,069	-2,837
Interest and Taxes	5	25
<b>Net Income</b>	<b>-1,064</b>	<b>-2,812</b>

\* Subject to Audit

Last Three Months: Quarter Ended September 30, 2002

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	0	0	0
Cost of Sales	0	0	0
SG&A	595	673	+78
EBIT	-595	-673	+78
Interest and Taxes	12	0	+12
<b>Net Income</b>	<b>-583</b>	<b>-673</b>	<b>+90</b>

Fiscal Year-to-Date: Nine Months Ended September 30, 2002

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	0	0	0
Cost of Sales	0	0	0
SG&A	1,664	1,741	+77
EBIT	-1,664	-1,741	+77
Interest and Taxes	12	0	+12
<b>Net Income</b>	<b>-1,652</b>	<b>-1,741</b>	<b>+89</b>



## CARDIO-OPTICS, INC. (cont.)

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

Cash	\$ 2,255	Accounts Payable	\$ 57
Accounts Receivable	0	Accrued Expenses	124
Other Current Assets	<u>0</u>	Other Current Liabilities	<u>0</u>
Total Current Assets	2,255	Total Current Liabilities	181
Net PP&E	43	Long Term Debt - Lease line	74
Intangibles (Net)	0	Shareholders Equity	4,496
Other Assets	<u>45</u>	Retained Earnings	<u>-2,408</u>
Total Assets	<u>\$ 2,343</u>	Total Liabilities & Equity	<u>\$ 2,343</u>

#### Comments:

The cash balance above does not reflect funds from the second closing of the Series A round totaling \$1.5 million that occurred in October. This provides the company with adequate capital resources to operate for 12-15 months and begin clinical trials.

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

Series A Convertible Preferred Stock	1,130,199 shares
Assigned Fair Value	Investment Cost
Investment Cost	\$1,750,000
Cost per Share	\$1.55
% Ownership (Full Dilution)	20.6%
Company Valuation at Cardinal Cost	\$8.5 million
Company Valuation at Assigned Fair Value	\$8.5 million

#### Outlook:

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: 3rd Quarter 2002

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Quarterly results at Intellicare were a mix of revenue disappointments and positive operating results. Despite missing budget on revenues, gross margins turned positive in August and climbed to 12% in September, the effect of both scale economies and better pricing discipline. The company initiated several key partnership relationships and completed two key recruiting assignments.

Revenues for the quarter lagged plan by 20%, but generally reflected prior quarter forecasts. Gross margin was slightly negative overall, but turned positive mid-quarter with September showing significant improvement. We currently forecast annual '02 revenues of \$7.6M, with break-even projected within twelve months. The company should have ample cash reserves and will continue to consider small acquisitions.

We were very encouraged by a significant new hire. Craig Russell was the CEO of Carewise, the second largest of the health care call center companies sold in the final liquidation of PhyCor. Craig will be a Senior Vice President in charge of Intellicare's new initiatives with health plans and large employers. These markets represent a significant untapped market for Intellicare, and are characterized as less price sensitive and more scalable than provider based business.

Other positive developments include a significant new joint venture with Alere, a Medicaid managed care plan, and a large pilot project with Humana.

Despite the continued slower than projected ramp in sales, we are generally optimistic about Intellicare and the company's prospects for redefining an underserved niche. The company receives frequent overtures from potential acquirers, and we believe that once the company is profitable and has demonstrated a commanding lead in its niche, it will have considerable appeal to a variety of buyers.

## 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
<b>Net Income</b>	<b>-2,486</b>	<b>-4,209</b>	<b>-3,673</b>

Last Three Months: Quarter Ended September 30, 2002

	<i>Actual</i>	<i>Budget*</i>	<i>Variance</i>
Revenues	2,638	3,273	-635
Cost of Revenues	2,746	3,159	+413
SG&A	890	859	-31
EBIT	-998	-745	-253
Interest and Taxes	+49	-14	+63
<b>Net Income</b>	<b>-949</b>	<b>-759</b>	<b>-190</b>

Fiscal Year-to-Date: Nine Months Ended September 30, 2002

	<i>Actual</i>	<i>Budget*</i>	<i>Variance</i>
Revenues	5,762	7,100	-1,338
Cost of Revenues	5,403	6,341	+938
SG&A	3,335	3,574	+239
EBIT	-2,976	-2,815	-161
Interest and Taxes	-33	-56	+23
<b>Net Income</b>	<b>-3,009</b>	<b>-2,871</b>	<b>-138</b>

\* - Budget Revised – May 2002

## INTELLICARE AMERICA (cont.)

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

Cash	\$ 7,953	Accounts Payable	\$ 658
Accounts Receivable	932	Accrued Payroll	665
Other Current Assets	<u>143</u>	Other Current Liabilities	<u>1,140</u>
Total Current Assets	9,028	Total Current Liabilities	2,563
Net PP&E	1,275	Long Term Liabilities	406
Intangibles (Net)	58	Shareholders Equity	18,788
Other Assets	<u>96</u>	Retained Earnings	<u>-11,300</u>
Total Assets	<u>\$10,457</u>	Total Liabilities & Equity	<u>\$10,457</u>

#### Comments:

The company completed a \$10.15 million financing in June. 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 company now adequately funded and on a clear path to profitability, we remain optimistic about the prospects for our investment in IntelliCare.

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

**eDetailing ASP Linking Pharmaceutical Companies and Physicians**

Period Summary: 3rd Quarter 2002

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For the quarter, iPhysicianNet (IPNI) continued to make progress, while losing one of its pilot stage clients. New client Proctor and Gamble is signed and management is aggressively pursuing the addition of a tenth client to replace J&J. While revenues have remained behind plan, the company's financial performance remains ahead of plan for the year in terms of net income and cash flow. During the quarter, management completed an equipment financing agreement to replace Hitachi, resolving the company's primary cash flow concern.

Revenues for the quarter were \$4.9 million, 40% below plan due to fewer installed physicians than budget (7,344 vs. 9,500), lower than expected utilization for the period (45% vs. 50%) and delays in new client rollouts as compared to plan. Cost of sales for the period shows a 38% 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 on plan for the period. Interest expense was behind forecast due to the initiation of the new equipment financing agreement in September. Resulting net income for the period was on plan. Combining this with the better than expected performance in Q1 and Q2 leaves YTD net income and cash flow 10% better than plan.

In September, IPNI completed a major equipment financing agreement with the U.S. affiliate of Pan Joy Holdings, Inc. of Taiwan. Under the agreement, Pan Joy will provide the company with financing for all new physician desktop PC equipment and the means to more rapidly expand its physician network. As part of the agreement, in Q4 2002, IPNI will begin to take delivery of an advanced design, small footprint, video conferencing-enabled desktop PC manufactured by Enlight Corporation of Taiwan.

At the end of the quarter, IPNI has 7,344 installed physicians on its system and is on target to attain its revised forecast of 8,000 by year-end. New physician recruitment is focused on the high decile/busy practice physicians identified by its current pharmaceutical clients. The company is also continuing to actively terminate non-utilization and "low value" physicians from its system.

IPNI is the clear leader in the sector, with pressure growing to stem the level of physician perks ingrained in traditional pharmaceutical detailing. The company is moving forward with its client base in the face an unfavorable economic environment for the industry as a whole. All key network and call metrics are trending favorably and staffing performance has exceeded goals at all clients, for the first time, in each of the past two months. 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
<b>Net Income (Loss)</b>	<b>-28,052</b>	<b>-29,435</b>	<b>-13,546</b>

\* - Subject to Audit

\*\* - Budget approved February 2002

Last Three Months: Quarter Ended September 30, 2002

	<i>Actual</i>	<i>Budget**</i>	<i>Variance</i>
Revenues	4,889	8,163	-3,274
Cost of Sales	5,711	9,333	+3,622
SG&A	1,920	1,851	-69
EBIT	-2,742	-3,021	+279
Interest and Taxes	-292	-26	-266
<b>Net Income (Loss)</b>	<b>-3,034</b>	<b>-3,047</b>	<b>+13</b>

Fiscal Year-to-Date: Nine Months Ended September 30, 2002

	<i>Actual</i>	<i>Budget**</i>	<i>Variance</i>
Revenues	13,765	18,112	-4,347
Cost of Sales	17,765	24,574	+6,809
SG&A	6,270	5,722	+548
EBIT	-10,270	-12,184	+1,914
Interest and Taxes	-924	-78	+846
<b>Net Income (Loss)</b>	<b>-11,194</b>	<b>-12,262</b>	<b>+1,068</b>

**iPHYSICIANNET (cont.)**

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

Cash	\$ 3,606	Accounts Payable	\$ 1,572
Accounts Receivable	766	Accrued Expenses	2,161
Other Current Assets	<u>924</u>	Deferred Revenue	<u>7,984</u>
Total Current Assets	5,293	Total Current Liabilities	11,717
Net PP&E	3,922	Long Term Debt	11,530
Intangibles (Net)	24	Shareholders Equity	79,840
Other Assets	<u>1,650</u>	Retained Earnings	<u>-92,198</u>
Total Assets	<u>\$10,889</u>	Total Liabilities & Equity	<u>\$10,889</u>

Comments:

With the successful completion of the equipment financing deal during the quarter, the company is now running ahead of its cash flow forecast. Management and the board-led oversight committee are working diligently to attain operational cash flow break even in the first half of next year.

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:

We are guardedly optimistic about the prospects for IPNI.

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TO: The Limited Partners

FROM: The General Partner

DATE: August 9, 2002

SUBJECT: Investment in Mobile Medical Industries, Inc.

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On August 9, 2002, CHP II, L.P. ("CHP II") invested \$2.5 million as part of a \$16 million first closing of a \$26 million financing for Mobile Medical Industries, Inc. ("MMI"). Three Arch Venture Partners led the financing, which also included GE Capital and Auda Partners. Lisa Skeete Tatum will represent CHP II on the Mobile Medical Board of Directors. MMI is a leading provider of comprehensive, integrated home-based medical services in the State of Florida.

The pre-money valuation of the financing was \$20 million, including the conversion of \$3 million in bridge notes from a prior investor. Post-financing, CHP II owns 6% of the company on a fully diluted basis. The second closing of \$10 million will occur upon the successful recruitment of a new CEO. The company has engaged a retained search firm to manage the recruitment process and we are hopeful of a successful conclusion in the next few months. Once completed, the financing is expected to support operation and acquisitions to build the company to over \$100 million in annual revenues.

The company has been funded to date through \$8 million in equity and convertible debt financing by Millennium Capital Holdings, LLC. Mobile Medical is located in Boca Raton, Florida and its website can be found at [www.mobilemedicalind.com](http://www.mobilemedicalind.com).

## **History:**

Mobile Medical Industries was formed in December 1999 by home health care industry veterans Brian Lechner, Kim Myrick and Roger Brown. In February 2000, the company commenced operations when the company acquired the assets of several companies that the founders had previously formed and operated. In the two years since MMI was created, the company has grown to become a leading provider of comprehensive home-based medical services in the state of Florida. In 2001, the company's three operating divisions, MD to You, CareGivers and CareAdvantage, generated almost \$24 million in combined revenues. During 2001, the company completed in excess of 222,000 patient visits and employed more than 600 employees by year-end. The company has shown a 260% growth in revenues over the last two years and has a current annual revenue run rate of \$30 million.



## **MOBILE MEDICAL INDUSTRIES, INC. (cont.)**

### **Market Opportunity:**

The addressable market for the company, elderly patients seeking home-based medical services, is large and fast growing. According to the U.S. Census Bureau, the country's over 65 population is expected to increase 14% from 34.8 million in 2000 to 39.7 million in 2010 and an additional 35% to 53.7 million in 2020. The growing elderly population has placed the U.S. health care system under intense financial pressure and required payers to focus on slowing the increasing cost of care. According to the Agency for Healthcare Research and Quality this population spends three to four times more on health care than the typical adult and comprised approximately 68% of all home health patients in 1998. Cost containment measures by Medicare and other health care payers, together with technological advances, have resulted in a shift in the delivery of many health care services away from traditional hospital settings to more cost-effective settings, including patients' homes. Cost pressures place a premium on primary care solutions that enable elderly patients to live independently in their homes despite chronic diseases and deteriorating conditions.

The home health care market, excluding physician house calls, has been estimated by the Centers for Medicare and Medicaid Services (formerly the Health Care Financing Administration) to represent a \$41 billion market in 2001, consisting of approximately \$30 billion in home nursing services and approximately \$11 billion in home medical equipment. Over the next 10 years, the industry is expected to double in size to more than \$87 billion.

In the company's target market, the state of Florida, the Agency for Health Care Administration estimated that personal health care expenditures exceeded \$66 billion in 1999, up more than 46% since 1992. Hospital care (\$23.6 billion), physician services (\$15.1 billion), nursing home care (\$4.4 billion) and home health related services (\$2.0 billion) accounted for almost 70% of these costs. Significantly, all four of these categories followed similar growth trends as the overall market since 1992, with spending on hospital care up 33%, physician services up 36%, nursing home care up 83% and home health services up 43%.

Approximately 74% of Florida's over 65 population reside in the 20 counties that the company has targeted as its core market, including the nine counties in which they currently operate. Within the Florida population, MMI targets traditional fee-for-service Medicare enrollees who currently constitute approximately 70% of all Florida Medicare enrollees, with the remaining 30% enrolled in Medicare HMOs. Accordingly, the company believes Florida represents the most attractive market for the continued implementation of its Care Unit model.

## **MOBILE MEDICAL INDUSTRIES, INC. (cont.)**

The physician practices and home health care providers that currently serve these patient populations remain largely fragmented. Because care is typically provided by multiple independent health care providers, there is often little coordinated management of the various medical services required by the frail elderly. As a consequence of this fragmentation, quality of care declines and costs increase resulting in an opportunity for integrated providers of comprehensive home-based medical services to address the growing unmet needs of this patient population.

The opportunity for a provider of home-based services is further enhanced by the marked improvement in the reimbursement environment for home-based medical care. Medicare legislation in 1999 and 2000 and the introduction of a Prospective Payment System, or PPS, benefited the home health care industry by providing significant reimbursement relief, compared to the prior payment system.

### **Business Strategy:**

Mobile Medical is at the forefront of providing comprehensive home-based medical services through one integrated provider. In contrast to other home health care providers with more limited offerings, the MMI Care Unit model offers patients convenient, cost-effective access to a variety of complementary medical services, including physician care, diagnostic testing, skilled nursing, therapy and assistance with daily living. The company provides these services by bringing its physicians, care providers and a full complement of diagnostic tests directly to the patient's home. The patient's home, the lowest cost setting for the delivery of medical care, may be an individual residence or an independent or assisted living facility. In addition, because their physicians are at the center of the patient's medical treatment, MMI is better able to coordinate interrelated physician, diagnostic, nursing and therapy services offered by the company or by unrelated parties, which it believe results in more effective patient management than traditional fragmented models.

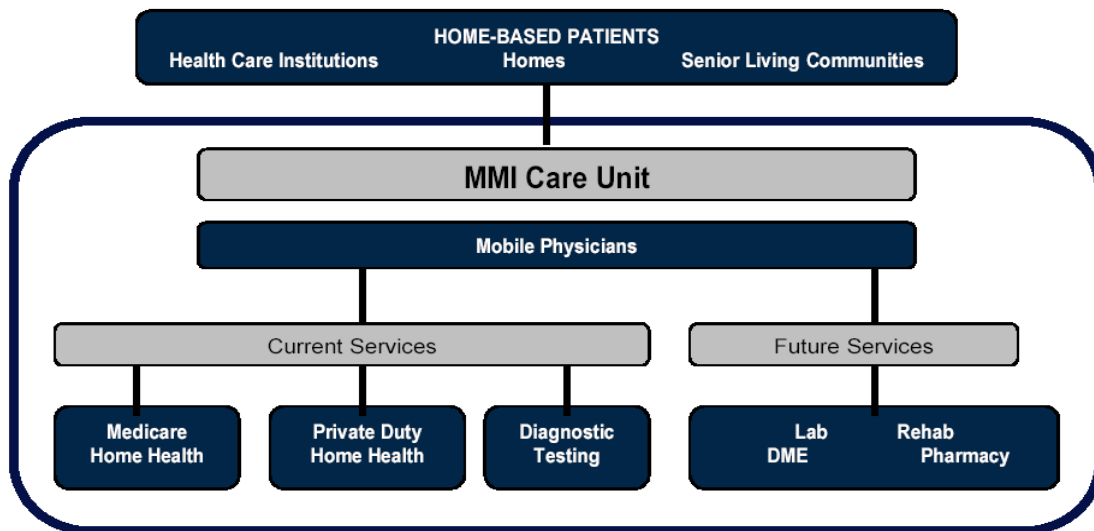
The company offers its care services through the following three integrated divisions:

- *MD to You.* - Operating out of six locations in nine Florida counties, the MD to You division provides physician house call services to more than 5,000 patients per year. This is accomplished through 15 patient care teams, each comprised of one physician and one clinical technician, supported by a clinical liaison, who utilize a fleet of 22 vehicles equipped with an array of portable medical equipment and diagnostic testing capabilities.
- *CareAdvantage* - Operating out of three locations, the CareAdvantage division provides services such as private duty nursing and assistance with daily living to over 5,000 patients per year. CareAdvantage is staffed by registered nurses, licensed practical nurses, certified nursing assistants, and therapists.

## MOBILE MEDICAL INDUSTRIES, INC. (cont.)

- *CareGivers* - Operating out of six regional offices, the Caregivers division provides Medicare-reimbursed skilled nursing and therapy services for approximately 5,800 homebound patients per year. CareGivers' provider staff is comprised of registered nurses, licensed practical nurses, certified nursing assistants, therapists and home health aides.

Today's elderly and their families are increasingly sophisticated consumers of health care services. They recognize the shortcomings of the existing health care delivery system and are demanding more effective solutions for their complex health care needs. Family members who live out of state and are frustrated with the difficulty of maintaining their aging parents' health and independence often manage the health care needs of these patients. These patients and their families are highly receptive to an integrated home-based care solution. The diagram below illustrates the interrelated components of the MMI Care Unit model:



The MMI Care Unit model offers the following distinctive advantages and benefits:

- *Mobile Physicians.* The MMI physicians lead the Care Unit team and work primarily in the home setting, unlike traditional office-based practices that may or may not provide house calls.
- *Enhanced Quality of Care.* The MMI solution provides a consistent regimen of accessible, comprehensive care that yields superior outcomes for the many patients who are unable or unwilling to access a traditional office-based physician.

## **MOBILE MEDICAL INDUSTRIES, INC. (cont.)**

- *Continuum of Services.* The integrated physician-led, nurse-managed model typically replaces a fragmented collection of office-based physicians and uncoordinated home health care providers.
- *Significant Cost Efficiencies.* The MMI model results in more sustained, comprehensive and preventive care than our patient demographic might otherwise receive, thereby reducing costly emergency room visits and hospital admissions and providing care in the lowest cost setting: the patient's home.

MMI's objective is to become the leading provider of integrated home-based medical services in the state of Florida. To achieve this objective the company will pursue the following key initiatives:

- *Drive Organic Growth* – Increase penetration in existing markets by growing the patient base while expanding the reach of operations to include nearby counties with favorable demographics.
- *Develop Complementary Services* – In the near term to add rehabilitation and clinical laboratory services. In the longer term the company will look to add pharmacy, medical supplies and other complimentary services to enhance the quality, scope and efficiency of the company's current offerings.
- *Pursue Market Entry Acquisitions in Desirable Markets* – In the near term, to acquire qualified home health care agencies in desirable Florida markets as platforms for rapidly implementing our Care Unit model with new patient populations. In the longer term, to expand outside of the Florida market to areas with similar desirable demographic characteristics.
- *Strengthen Referral Channels and Enhance Consumer Awareness* – grow the patient base by continuing to develop referral sources and building consumer awareness of home-based services.

### **Competition:**

To our knowledge, there are no other significant providers of home-based health care in the state of Florida that offer the depth and breadth of health care services provided by MMI. Most of the company's direct competitors in the Florida market are small to mid-sized local home care agencies such as Home Health Corporation of America, Med-Tech Home Health Services and Senior Home Care. While we do not believe that any of these competitors offer the full spectrum of home-based medical services provided by MMI, certain competitors, such as The Outreach Program, may diversify their offerings to include a broader continuum of care, similar to the MMI model.

## **MOBILE MEDICAL INDUSTRIES, INC. (cont.)**

The MD to You division competes primarily against office-based physicians and a highly fragmented market of providers of diagnostic testing. We do not believe there are currently any significant competitors providing physician house calls within the Florida counties in which the company operates. Outside its current market, Naples Health Care Associates is an example of a Florida office-based physician practice that has begun offering physician house call services. There are potential competitors of MD to You that operate elsewhere in the United States, however, including Visiting Physicians Association ("VPA"), which has developed a substantial physician house call business, primarily in Michigan and Ohio. VPA also provides laboratory services, but they do not currently provide home nursing services.

The Florida markets in which the CareGivers and CareAdvantage divisions compete is highly competitive, but is still populated largely by local and regional "mom and pop" operators. Unlike the managed care, hospital, or long-term care industries, which have experienced substantial consolidation, the home nursing segment of the home health care market remains extremely fragmented. The largest national provider of home nursing care, Gentiva Health Services, reports that it accounts for approximately 3% of the market and that no other competitor holds more than a 1% market share.

### **Management:**

The following is a short biography for each member of the senior management team at Mobile Medical. The company has engaged a leading health care executive search firm to recruit an experienced CEO. The Board expects to complete this process over the next 3-6 months.

***Brian M. Lechner, C.P.A. – Co Founder, Acting Chief Executive Officer and Director:*** Mr. Lechner co-founded MMI on December 9, 1999, and is the primary architect of its market development strategy. Mr. Lechner's experience in health care spans over 19 years in various senior-level positions. From 1994 to 1999, Mr. Lechner was a principal of Accredited, Inc., a health care management and consulting company that is now part of MMI. During that period, Mr. Lechner also acquired a number of the home health companies that are now part of MMI. From 1990 to 1994, Mr. Lechner was an officer of Hospital Staffing Services, Inc., a large, publicly traded national health care company and from 1992 to 1994 he served on the board of directors of Hospital Staffing Services, Inc. Prior to his experience at Hospital Staffing Services, Inc., Mr. Lechner was a principal of a successful health care consulting firm specializing in mergers, acquisitions and financial and reimbursement management.

Mr. Lechner received a B.S. in Accounting from Fairleigh Dickinson University and is licensed as a certified public accountant in the state of Florida.

## **MOBILE MEDICAL INDUSTRIES, INC. (cont.)**

***Joy Rodak – Chief Operating Officer:*** Ms. Rodak joined MMI in 2001 as Chief Operating Officer. She has 16 years experience in the healthcare industry, which includes over nine years in key management positions with Bethesda Healthcare System, a \$158 million hospital system in Palm Beach County, Florida. In early 2001, Ms. Rodak was promoted to the position of Vice President/Chief Executive Officer of Bethesda Hospital Foundation, where she oversaw the operations for the organization and initiated an aggressive \$100,000,000 capital campaign. In 1999, Ms. Rodak was named Vice President, Corporate Strategy of Bethesda Memorial Hospital and Bethesda Healthcare System, Inc. She reported directly to the Chief Executive Officer and was a management member of the Boards of Trustees of these entities. In this role, Ms. Rodak was also a Trustee on the Board for Affiliated Operations and, as an executive officer of the Healthcare System; she developed and implemented the organization's strategic direction, market share development, and new revenue strategies, as well as overseeing operations for the Business Development, Corporate Sales and Marketing/Public Relations divisions. From 1994 through July, 1995, she operated a successful practice recruiting and consulting business in South Florida, that she transitioned to, starting in 1995, Bethesda Healthcare System's Medical Staff Services Organization, where she was responsible for Physician Services and direct sales divisions, business development for the Healthcare System, initiating and planning new healthcare ventures and project implementation from 1995 until 1999. From 1990 to 1994, Ms. Rodak served as Manager, Physician Services with Bethesda Healthcare System, overseeing all marketing efforts to the medical staff, physician recruitment, medical staff need planning and market placement, as well as, practice operational improvement, business planning, financing acquisition and practice transaction support for physician practices.

Ms. Rodak graduated summa cum laude from Lynn University, Boca Raton and received an M.B.A. with honors from Nova University, Fort Lauderdale.

***Kim Myrick, C.P.A. – Co-Founder, Chief Financial Officer and Director:*** Ms. Myrick is a co-founder of MMI with over 18 years of experience in the health care industry. In 1996, Ms. Myrick founded CareGivers Home Health Services in Lakeland, Florida, which she developed into the largest home health care company in Polk County. From 1994 until 2000, when we acquired its assets, Ms. Myrick was a shareholder and a principal of Accredited, Inc., a health care management and consulting company that she co-founded with Brian Lechner. From 1991 until 1994, Ms. Myrick served as the Senior Vice President of Finance and Operations for Hospital Staffing Services, Inc. From 1984 until 1991, Ms. Myrick served as the Senior Vice President of Finance and Operations for United Medical Corp., a privately held company focused on home health care. In these roles, Ms. Myrick was responsible for operating the home care divisions and financial management including reimbursement, third-party reporting and banking.

Ms. Myrick earned her B.A. from the University of Central Florida, and is licensed as a certified public accountant in the state of Florida.

## MOBILE MEDICAL INDUSTRIES, INC. (cont.)

***Roger Brown – Co-Founder, Chief Development Officer and Director:*** Mr. Brown is a co-founder of MMI with over 18 years of experience within the health care industry. Prior to the formation of MMI, Mr. Brown was the majority shareholder and Chief Executive Officer of Mobile MD, Inc., now known as MD to You. Previously, Mr. Brown was President and Chief Executive Officer of Surgitron, Inc., an international manufacturer and distributor of state-of-the-art laparoscopic surgical instrumentation and video equipment for minimally invasive surgery. Before Surgitron, Mr. Brown was Executive Vice President of Sales and Marketing for Hemodynamics, Inc. and Myotech Corp., two publicly traded companies engaged in the manufacture, sale and distribution of state-of-the-art physician office-based diagnostic testing equipment distributed both nationally and internationally. Before that, Mr. Brown was the surgical specialist for Surgeons Choice, Inc., a specialty manufacturer of internal surgical staples and instruments.

Mr. Brown received a B.A. from the University of Florida.

### **Financial Projections:**

Mobile Medical is currently operating at close to cash flow breakeven. The \$26 million financing is expected to give the company adequate operating capital to support operations and acquisitions for two years. Management expects the company to become both EBITDA and net income positive in 2003.

<b><u>Mobile Medical Industries</u></b>	<b>Actual</b>	<b>Actual</b>	<b>Projected</b>	<b>Projected</b>	<b>Projected</b>
<b>(\$000)</b>	<b>FYE 12/00</b>	<b>FYE 12/01</b>	<b>FYE 12/02</b>	<b>FYE 12/03</b>	<b>FYE 12/04</b>
Revenue	18,135	23,911	30,500	50,089	65,590
Cost of Services	9,067	11,477	17,080	24,043	30,827
Operating Expenses	11,607	16,499	18,605	22,039	24,924
Net Income	-2,539	-4,065	-5,185	4,007	9,839
EBITDA	-1,632	-1,196	-3,050	5,510	11,150

### **Outlook:**

Mobile Medical is addressing a large and quickly growing market opportunity driven by both demographics and improved consumer awareness. MMI has a proven, scalable business model and has in place the infrastructure and compliance programs required in today's complex regulatory environment. The company has clearly established itself as a major player in the home health care market place. As the company enters a new expansion stage, we are very excited about the prospects for our investment in Mobile Medical.

**MOLECULAR MINING CORPORATION**

**Kingston, Ontario**

***{www.molecularmining.com}***

**Software Tools for Genomics Research**

Period Summary: 3rd Quarter 2002

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Financial results for Q3 2002 were well behind plan due mostly to underperformance in software sales. During the quarter, the company completed three new collaboration deals with major pharmaceutical clients totaling over \$300K and is close to completing a fourth worth almost \$200K. The board has refocused senior management clearly on pursuing potential M&A opportunities and the attainment of profitability without additional financing.

Product sales continued to be well behind plan through the third quarter. A slower than expected summer was exacerbated by the loss of a number of the sales team members. As a result, management has reorganized the sales organization and is refocusing solely on building sales in North America to a profitable level. Two product release updates were successfully completed during the quarter, with significant enhancements based on customer feedback. The company is no longer actively pursuing distribution and OEM relationships in Europe and Asia to focus solely on building a profitable franchise in North America. Management is continuing to work on co-marketing/OEM arrangements with several strategic partners.

To their credit, for almost all of 2002 management has successfully kept expenses in line with the development of its sales channels. Expenses for the period were 30% lower than plan primarily due to lower headcount. The company remains ahead of its cash flow plan for the year.

The investor syndicate has given management a clear mandate to develop a business model that will attain cash flow break even by Q3 2003 without additional financing. We continue to work closely with our co-investors to explore strategic relationships with other bioinformatics companies. Multiple companies have been contacted and discussions are in progress 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
<b>Net Income</b>	<b>-1,384</b>	<b>-2,939</b>	<b>-1,901</b>

Last Three Months: Quarter Ended September 30, 2002

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	108	1,118	-1,010
Cost of Sales	7	0	-7
Operating Expenses	690	1,006	+316
EBIT	-589	112	-701
Interest and Taxes	8	29	-21
<b>Net Income</b>	<b>-581</b>	<b>141</b>	<b>-722</b>

Fiscal Year-to-Date: Nine Months Ended September 30, 2002

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	418	1,716	-1,298
Cost of Sales	94	0	-94
Operating Expenses	3,044	3,501	+457
EBIT	-2,720	-1,785	-935
Interest and Taxes	43	114	-71
<b>Net Income</b>	<b>-2,677</b>	<b>-1,671</b>	<b>-1,006</b>

## MOLECULAR MINING CORPORATION (cont.)

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

Cash	\$ 2,324	Accounts Payable	\$ 53
Accounts Receivable	192	Accrued Expenses	179
Prepaid Expenses	<u>55</u>	Notes Payable	<u>0</u>
Total Current Assets	2,571	Total Current Liabilities	232
Net PP&E	249	Long Term Debt	0
Intangibles (net)	167	Shareholders Equity	9.898
Other Assets	<u>0</u>	Retained Earnings	<u>-7.143</u>
Total Assets	<u>\$ 2,987</u>	Total Liabilities & Equity	<u>\$ 2,987</u>

### Comments:

Cash burn for the quarter was well ahead of plan and the company is currently 10% ahead of its cash forecast. The company is currently burning ~ \$250K on average per month. At this rate, the company has adequate capital to support operations through the first half of 2003. Management has a clear mandate to develop a business model to attain cash flow break even in 2003.

### CHP II, L.P. 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.

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

**Glycomics Based Drug Discovery and Development**

Period Summary: 3rd Quarter 2002

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Momenta (formerly Mimeon) had a very solid quarter. Progress in development, in corporate partner discussions, in recruitment and on the intellectual property front all continued the company's strong early progress.

The company has been making very rapid and significant progress with its cardiovascular program focused on novel forms of heparin. Heparin is the leading drug used for the management of the coagulation cascade in blood. The drug has sales of several billion dollars despite significant issues related to dosing and therapeutic window. Momenta is using its glycomics technology to develop second-generation heparins with dramatic new therapeutic advantages. Management now believes that the program will be ready to move into the clinic in the first half of next year either under the company's own management or in collaboration with a corporate partner.

The overall strength of technology development at Momenta is excellent. The company and its technology were featured twice in the last quarter in Scientific American, including coverage in a cover story in July.

On the basis of the strong development progress in the heparin program, discussions with potential corporate partners have intensified. The company believes that it will be in a position to strike a significant corporate alliance in the course of the next several quarters.

On the recruitment front, Alan Crane was successful recruiting Steve Brugger, a former partner of his at Millennium Pharmaceuticals to join Momenta as Vice President of Strategic Product Development in the quarter. Steve was the head of Strategic Marketing at Millennium and served for three years at Novartis and thirteen years at Sandoz in a variety of development roles.

The company continues to build on its intellectual property base and has 24 issued patents and applications as of the end of the quarter. The company is committed to maintaining and building its leadership position in the field of glycomics as applied to the development of diagnostic and therapeutic drugs.

Overall progress and prospects are excellent. The momentum at Momenta is building.

**MOMENTA PHARMACEUTICALS, INC. (cont.)**

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

Overview: (FYE 12/31)

	<i>2002 Budget</i>	<i>2003 Estimate</i>
Revenues	0	0
Cost of Sales	0	0
Operating Expenses	3,010	7,660
EBIT	-3,010	-7,660
Interest and Taxes	31	137
<b>Net Income</b>	<b>-2,979</b>	<b>-7,523</b>

Last Three Months: Quarter Ended September 30, 2002

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	0	0	0
Cost of Sales	0	0	0
Operating Expenses	845	1,050	+205
EBIT	-845	-1,050	+205
Interest and Taxes	9	9	0
<b>Net Income</b>	<b>-836</b>	<b>-1,041</b>	<b>+205</b>

Fiscal Year-to-Date: Nine Months Ended September 30, 2002

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	0	0	0
Cost of Sales	0	0	0
Operating Expenses	2,114	1,910	-204
EBIT	-2,114	-1,910	-204
Interest and Taxes	22	27	-5
<b>Net Income</b>	<b>-2,092</b>	<b>-1,883</b>	<b>-209</b>

## MOMENTA PHARMACEUTICALS, INC. (cont.)

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

Cash	\$ 3,580	Accounts Payable	\$ 65
Accounts Receivable	0	Accrued Expenses	83
Prepaid Expenses	<u>58</u>	Notes Payable	<u>0</u>
Total Current Assets	3,638	Total Current Liabilities	148
Net PP&E	293	Long Term Debt	0
Intangibles (net)	0	Shareholders Equity	6,475
Other Assets	<u>0</u>	Retained Earnings	<u>-2,692</u>
Total Assets	<u>\$ 3,931</u>	Total Liabilities & Equity	<u>\$ 3,931</u>

### Comments:

The company is currently burning ~ \$350K of cash per month. Current cash is expected to last another 9-10 months. The company has an unconditional call for another \$6 million from the current investor group until March 2003. In addition, management is close to completing a \$1.2 million lease line for equipment purchases.

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

Series AA Convertible Preferred Stock	348,432 shares
Assigned Fair Value	Investment Cost
Investment Cost	\$1,000,000
Cost per Share	\$2.87

% Ownership (Full Dilution)	6.25%
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Company Valuation at Cardinal Cost	\$16.0 million
Company Valuation at Assigned Fair Value	\$16.0 million

### Outlook:

With the vast potential of applications for the company's technology and the prior record of successful business development of CEO Alan Crane, we are very enthusiastic about the prospects for our investment in Momenta.

**PARKSTONE MEDICAL INFORMATION SYSTEMS, INC.**

**Weston, FL**

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

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

Period Summary: 3rd Quarter 2002

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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. During the quarter, the creditors committee has finally agreed to release the remaining escrowed funds to the secured creditors for distribution. We now expect a second distribution for the secured creditors of approximately \$650K to occur during the fourth of 2002. CHP II will receive 32.31% of any future distribution to the secured creditors.

In addition to the funds received from the sale of the assets, the bankruptcy trustee intends to prosecute preference actions against certain of the company's vendors that could produce additional cash to distribute to the secured creditors.

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](http://www.rib-x.com)}**

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

Period Summary: 3rd Quarter 2002

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The Rib-X team continued to make 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 completion of the Senior Scientific team almost complete. Corporate partnering discussions have proceeded slowly, exacerbated by the unfavorable economic and market environment for the pharmaceutical industry as a whole. At this time, it seems unlikely that the company will achieve the partnering milestone that would have afforded an automatic valuation mark-up for the closing of the \$12.5 million second tranche of the Series A financing scheduled to close in December.

The drug discovery program at Rib-X is in full swing and has exceeded expectations. The company has identified several patentable families of compounds with the potential to be blockbuster antibiotics. This early success suggests the advancement of preclinical studies to begin to test *in vivo* drug-like parameters for one or more of these compounds 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 has begun to more rapidly expand its chemistry resource to support multiple provisional patent applications. This acceleration has initiated discussions between management and the current investors about raising additional funds from new investors over and above the second tranche of the Series A financing.

Rib-X currently has over 40 employees and is on plan to reach its year-end 2002 staffing goals. During the quarter, the company extended offers for two key positions in the chemistry department, one for a Vice-President Structure-Based Design and Medicinal Chemistry and the second for a Senior Director of Medicinal Chemistry. Both candidates have excellent credentials and management expects to have them on board by November. The company hopes to complete its senior management team with the addition of a Vice President of Business Development by the end of the year.

In early September, the company moved into its new facility in the George Street Technology Center in New Haven. The build-out for the 27,000 square-foot facility was largely funded by a \$3 million financing line from Connecticut Innovations, one of the state's leading investors in high technology.

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	0
R&D Expenses	593	5,641
Operating Expenses	828	2,026
EBIT	-1,421	-7,667
Interest and Taxes	-11	-67
<b>Net Income</b>	<b>-1,432</b>	<b>-7,734</b>

Last Three Months: Quarter Ended September 30, 2002

	<i>Actual</i>	<i>Budget*</i>	<i>Variance</i>
Revenues	0	0	0
R&D Expenses	1,604	1,505	-99
Operating Expenses	438	425	-13
EBIT	-2,042	-1,930	-112
Interest and Taxes	-38	-28	-10
<b>Net Income</b>	<b>-2,080</b>	<b>-1,958</b>	<b>-122</b>

Fiscal Year-to-Date: Nine Months Ended September 30, 2002

	<i>Actual</i>	<i>Budget*</i>	<i>Variance</i>
Revenues	0	0	0
R&D Expenses	-3,272	3,173	-99
Operating Expenses	-1,575	1,562	-13
EBIT	-4,847	4,735	-112
Interest and Taxes	5	15	-10
<b>Net Income</b>	<b>-4,842</b>	<b>-4,720</b>	<b>-122</b>

\* Revised budget September 2002



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

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

Cash	\$ 1,834	Accounts Payable	\$ 955
Accounts Receivable	84	Accrued Expenses	0
Other Current Assets	<u>63</u>	Notes Payable Current	<u>437</u>
Total Current Assets	1,981	Total Current Liabilities	1,392
Net PP&E	5,670	Notes Payable	3,333
Intangibles (net)	0	Shareholders Equity	9,381
Other Assets	<u>258</u>	Retained Earnings	<u>-6,197</u>
Total Assets	<u>\$ 7,909</u>	Total Liabilities & Equity	<u>\$ 7,909</u>

### Comments:

The company is slightly behind its cash plan due to an accelerated ramp-up of personnel. In September, the company secured \$3.3 million in financing for facilities build-out and equipment. With the \$12.5 million second closing of the Series A financing due in December of this year, the company has adequate financial resources to operate into 2004.

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

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

% Ownership (Full Dilution) 7.07%

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.