

CHP II, L.P.
QUARTERLY REPORT
3rd QUARTER, 2003

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QUARTERLY REPORT
3rd QUARTER, 2003
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TO: The Limited Partners
FROM: John K. Clarke
DATE: November 14, 2003
SUBJECT: Activity for the Quarter Ended September 30, 2003

During the quarter, most of the CHP II portfolio continued to make good progress, with Alnylam leading the way, completing a major financing coupled with an acquisition. Operations at the portfolio company level continued to show solid advancement, tempered by the disappointing events at iPhysicianNet. The following are short summaries of activity for the quarter in each of our portfolio companies.

Alnylam Pharmaceuticals – This was a groundbreaking quarter in terms of accomplishments for Alnylam. The company completed its merger with European based Ribopharma AG and the concurrent \$24.6 million financing. Alnylam also completed a strategic alliance with Merck & Co., the first major collaboration between a leading pharmaceutical company and an RNAi therapeutics company. With the completion of these transactions, Alnylam has positioned itself as the clear leader in its field with significant capital resources to accomplish its goals.

AthenaHealth – Athena continued its solid financial performance for 2003 through the third quarter, albeit with some hiccups early in the quarter. Revenues for the quarter were off plan due to higher than anticipated account attrition in July and early August. YTD revenues are within 2% of budget, with the company on track to again show year-to-year revenue growth of over 100% in 2003. The Q4 sales pipeline is strong and management expects to meet its sales budget for the year. Lower gross margins together with an implementation gap that existed at the beginning of the quarter drove net income to be \$439K behind plan. The company expects to close a \$6 million sub-debt facility in Q4. Increased interest expense related to this credit facility and additional sales and marketing expenses in Q4 2003 will move the attainment of cash flow breakeven into Q1 2004.

CardioOptics – Significant progress was made during the quarter. The technology program initiated in May is now producing very encouraging and consistent results. Management continues to focus on improvements to the stability and quality of the images, but they are confident that the technology issues will be resolved by the end of this year. The company will likely file for 510k approval and begin their initial human tests in the first half of 2004.

IntelliCare America – Financial performance at Intellicare slipped a bit, but remains very close to plan in all respects on a year-to-date basis. Operationally, the company continued to perform well and business unit margins have now reached 15%, a 32% improvement over last year. During the quarter, the company received an acquisition offer at an acceptable, but not outstanding value. However, the transaction was jointly terminated over technical and valuation issues early in Q4.

iPhysicianNet (IPNI) – iPhysicianNet entered the quarter needing additional financing and looking for support from its current client and investor base. A deal was close to completion with three of the company's clients and its' largest investor, when another client informed the company of their intention to terminate the service, and the financing collapsed. With little or no alternatives, management and the investors decided that an orderly liquidation of the assets was the best course of action. We expect no return from our investment.

Mobile Medical – The new senior management team at Mobile Medical (MMI) is focusing on improving current operating performance and pursuing growth opportunities. While financial performance for the period lagged plan, the company was breakeven for the month of September and expects to be breakeven for Q4. The company has identified a significant acquisition opportunity that could more than double revenues by the end of 2004. Management expects to propose a term sheet for the transaction next month and hopes to close by year-end.

Molecular Mining – Significant progress was made in the liquidation of the company's assets. We expect the process to be completed in the next 6 months with CHP II receiving approximately \$130K. CHP II will receive 18.25% of any distribution to the Series B investors.

Momenta – Momenta continued to make significant progress towards the filing of an abbreviated new drug application (ANDA) for its lead drug candidate, a generic form of heparin. During the quarter, management continued its informal discussions with the FDA and has developed a plan for completing its filing. In addition, corporate partnering discussions to help finance the development and distribution of the product are in the final stages of contract negotiation with three different parties. A deal will likely be completed early next quarter.

Replication Medical – Replication continues to perform well against its objectives. Manufacturing concerns that surfaced during the first quarter of 2003 were resolved, and the company is confident in its ability to provide a sufficient number of prototype implants for the first human trials in Europe. The trials, a 10 patient study in Germany headed by Dr. Rudi Bertagnoli, an internationally respected spine surgeon, have been delayed two months by bureaucratic hold-ups relating to European Ethical committee rulings. By quarters end, however, these issues were resolved, and Replication's trial design package was approved.

Rib-X Pharmaceuticals – Rib-X continued its vigorous trek towards identification of a strong lead drug candidate with attributes acceptable as a product for the treatment of community respiratory tract infections. Though a lead has not yet been identified, a series of promising compounds is advancing along the preclinical development path with the scientific team narrowing the possible selections. Management remains optimistic that this series will produce a lead candidate(s) in the near term, keeping them on plan for filing an IND in mid-2004.

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

Deal Flow:

During the quarter, we have reviewed 100 business proposals. Current "A" deals include: Angstrom Medica, Caregain, Cassiopeia, Facet Solutions, Flowcardia, Graftcath, and SkinMedica. An alphabetical list of all deals received with a brief business description, deal source and current status is included in the Appendix to this report.

Financial Results:

During the quarter, CHP II completed two capital calls totaling \$1.86 million. Utilization of these funds included: the \$500K increase in our allocation of the Alnylam merger financing, \$500K for our portion of the Alnylam follow-on round led by Merck&Co., and to pay fund fees and expenses. Cumulative capital contributions stand at \$58.7 million or 50% of total commitments. Cash on hand at the end of the period was \$1.2 million. Net income for the quarter was \$3.6 million, consisting of \$737K in net operating expenses offset by the \$4.3 million unrealized gain related to the markup on Alnylam.

Looking forward:

The Limited Partner Annual Meeting will take place on Wednesday, November 19th in New York City. Brandon, Lisa, John, Geoff and I hope to see many of you there.

Meanwhile, we continue to work diligently to build value in the portfolio and appreciate your input and support.

CHP II, L.P.
Income Statement
For the Period Ended September 30, 2003

| | Three Months Ended 09/30/03 | Nine Months Ended 09/30/03 |
|------------------------------------|-----------------------------------|----------------------------------|
| Revenue: | | |
| Non Portfolio Income | \$2,792 | \$7,307 |
| Interest-Equivalent Amounts | 0 | 0 |
| Expenses: | | |
| Management Fee | 734,217 | 2,202,652 |
| Professional Fees | 5,131 | 17,778 |
| NVCA Dues & Expenses | 5,173 | 5,173 |
| Amortization of Organization Costs | 0 | 0 |
| Annual Meeting & Miscellaneous | 50 | 150 |
| Total Expenses | 744,571 | 2,225,753 |
| Net Operating Expense | (741,779) | (2,218,446) |
| Investment Income | 4,793 | 13,129 |
| Net Income Before Gains (Losses) | (736,986) | (2,205,317) |
| Realized Gains (Losses) | 0 | 0 |
| Unrealized Gains (Losses) | 4,300,000 | 795,397 |
| Net Income (Loss) | \$3,563,014 | (\$1,409,920) |

CHP II, L.P.
Balance Sheet
As of September 30, 2003

| ASSETS: | Period Ended 09/30/03 | Period Ended 06/30/03 |
|---|----------------------------|----------------------------|
| Cash and Short-Term Investments | \$1,228,433 | \$2,953,459 |
| Accrued Interest | 35,747 | 30,953 |
| Venture Capital Investments (cost basis \$39,741,960) | 36,868,463 | 29,718,463 |
| Organization Costs (Net of Accum. Amortization) | 0 | 0 |
| Other Assets | <u>279,125</u> | <u>270,289</u> |
| | <u><u>\$38,411,768</u></u> | <u><u>\$32,973,164</u></u> |
| LIABILITIES & CAPITAL: | | |
| Accrued Expenses and Payables | \$27,838 | \$12,247 |
| Partners' Accounts | <u>38,383,930</u> | <u>32,960,917</u> |
| Total Liabilities and Capital | <u><u>\$38,411,768</u></u> | <u><u>\$32,973,164</u></u> |

CHP II, L.P.
Footnotes
As of September 30, 2003

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

| Note 2 – Net Organization Costs | 09/30/03 | 06/30/03 |
|---------------------------------|-----------------------------|-----------------------------|
| | <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 | 09/30/03 | 06/30/03 |
|---|-----------------------------|-----------------------------|
| | <u> </u> | <u> </u> |
| GP Promissory Note Principal | \$279,125 | \$270,289 |
| Offset against Partners' Capital | <u>0</u> | <u>0</u> |
| Total | <u><u>\$279,125</u></u> | <u><u>\$270,289</u></u> |

| Note 4 – Accrued Expenses | 09/30/03 | 06/30/03 |
|----------------------------|-----------------------------|-----------------------------|
| | <u> </u> | <u> </u> |
| Professional Fees | \$14,631 | \$12,247 |
| NVCA Dues & Annual Meeting | 5,207 | 0 |
| Accrued Management Fees | <u>8,000</u> | <u>0</u> |
| Total | <u><u>\$27,838</u></u> | <u><u>\$12,247</u></u> |

CHP II, L.P.
Statement of Cash Flows
For the Period Ended September 30, 2003

| | Three Months Ended 09/30/03 | Nine Months Ended 09/30/03 |
|--|-----------------------------------|----------------------------------|
| Cash flows from operating activities | | |
| Net Income Before Gains (Losses) | (\$736,986) | (\$2,205,317) |
| Adjustments to reconcile net income before gains (losses) to net cash used in operating activities: | | |
| Accrued Interest Receivable | (4,795) | (13,130) |
| Accrued Organization Costs | - | - |
| Other Assets | - | - |
| Accrued Expenses & Payables | (15,591) | 9,838 |
| Net Cash used in Operating Activities | (726,190) | (2,208,609) |
| Cash flows from investing activities | | |
| Purchases of venture capital investments | (2,850,000) | (10,725,002) |
| Sales of venture capital investments | - | - |
| Net cash used in investing activities | (2,850,000) | (10,725,002) |
| Cash flows from financing activities | | |
| Cash contributions by partners | 1,851,164 | 13,147,250 |
| Cash distribution to partners | 0 | 0 |
| Net cash provided by financing activities | 1,851,164 | 13,147,250 |
| Net Change in Cash and Short Term Investments | (1,725,026) | 213,639 |
| Cash and Short Term Investments, beginning | 2,953,459 | 1,014,794 |
| Cash and Short Term Investments, ending | \$1,228,443 | \$1,228,43 |

CHP II, L.P.
Schedule of Venture Capital Investments
As of September 30, 2003

| Company | Debt | Equity | Total Cost | Fair Value | Unrealized Gain (Loss) |
|-------------------------------|-------------|---------------|-------------------|-------------------|-------------------------------|
| Alnylam Pharmaceuticals | \$0 | \$7,100,000 | \$7,100,000 | \$12,900,000 | \$5,800,000 |
| AthenaHealth, Inc. | 0 | 5,000,001 | 5,000,001 | 5,000,001 | 0 |
| Cardio-Optics, Inc. | 0 | 2,000,000 | 2,000,000 | 2,000,000 | 0 |
| IntelliCare America, Inc. | 0 | 4,000,000 | 4,000,000 | 2,464,585 | (1,535,415) |
| iPhysician Net, Inc. | 0 | 5,757,897 | 5,757,897 | 1,000 | (5,756,897) |
| Mobile Medical Industries | 0 | 4,000,000 | 4,000,000 | 4,000,000 | 0 |
| Molecular Mining Corp. | 0 | 1,509,060 | 1,509,060 | 100,000 | (1,409,060) |
| Momenta Pharmaceuticals, Inc. | 0 | 3,875,002 | 3,875,002 | 3,902,877 | 27,875 |
| Replication Medical | 0 | 2,500,000 | 2,500,000 | 2,500,000 | 0 |
| Rib-X Pharmaceuticals | 0 | 4,000,000 | 4,000,000 | 4,000,000 | 0 |
| Totals | \$0 | \$39,741,960 | \$39,741,960 | \$36,868,463 | (\$2,873,497) |

CHP II, L.P.
Statement of Partners' Contributions Accounts
As of September 30, 2003

| | Partners' Total Subscription | Contributions Account 06/30/03 | Period Contribution in Cash | Period Contribution by Note | Contributions Account 09/30/03 | Partners' Outstanding Subscription |
|---|------------------------------------|--------------------------------------|-----------------------------------|-----------------------------------|--------------------------------------|--|
| <u>Limited Partners</u> | | | | | | |
| State Teachers Ret. System of Ohio | \$30,000,000 | \$14,561,613 | \$474,996 | \$0 | \$15,006,609 | \$14,993,391 |
| Nassau Capital Funds | 10,000,000 | 4,843,871 | 158,332 | 0 | 5,002,203 | 4,997,797 |
| Robert Wood Johnson Foundation | 10,000,000 | 4,843,871 | 158,332 | 0 | 5,002,203 | 4,997,797 |
| Northwestern University | 10,000,000 | 4,843,871 | 158,332 | 0 | 5,002,203 | 4,997,797 |
| LACERA | 10,000,000 | 4,843,871 | 158,332 | 0 | 5,002,203 | 4,997,797 |
| Textron Master Trust | 10,000,000 | 4,843,871 | 158,332 | 0 | 5,002,203 | 4,997,797 |
| Wachovia Investors, Inc. (First Union) | 7,500,000 | 3,632,904 | 118,749 | 0 | 3,751,653 | 3,748,347 |
| Pension Commissioners of City of LA | 5,000,000 | 2,421,937 | 79,166 | 0 | 2,501,103 | 2,498,897 |
| Princess Private Equity | 5,000,000 | 2,421,937 | 79,166 | 0 | 2,501,103 | 2,498,897 |
| Hillside Capital Incorporated | 3,500,000 | 1,695,352 | 55,416 | 0 | 1,750,768 | 1,749,232 |
| Hamilton Lane-Carpenters Fund | 3,000,000 | 1,453,161 | 47,500 | 0 | 1,500,661 | 1,499,339 |
| UNISYS Master Trust | 3,000,000 | 1,453,161 | 47,500 | 0 | 1,500,661 | 1,499,339 |
| Venture Investment Associates III, L.P. | 2,300,000 | 1,114,091 | 36,416 | 0 | 1,150,507 | 1,149,493 |
| Fleet Growth Resources (Summit) | 2,000,000 | 968,775 | 31,666 | 0 | 1,000,441 | 999,559 |
| S.R. One Limited | 2,000,000 | 968,775 | 31,666 | 0 | 1,000,441 | 999,559 |
| Pharma BioDevelopment, Inc. | 2,000,000 | 968,755 | 31,666 | 0 | 1,000,441 | 999,559 |
| Private Equity Holdings II, Ltd. | 1,000,000 | 484,386 | 15,833 | 0 | 500,219 | 499,781 |
| | \$116,300,000 | \$56,334,222 | \$1,841,400 | \$0 | \$58,175,622 | \$58,124,378 |
| <u>General Partner</u> | | | | | | |
| CHP II Management, LLC. | 1,174,747 | 590,033 | 9,764 | 8,836 | 587,633 | 587,114 |
| Total Partnership | \$117,474,747 | \$56,903,255 | \$1,851,164 | \$8,836 | \$58,763,255 | \$58,711,492 |

CHP II, L.P.
Statement of Partners' Distributive Share of Net Assets
For the Period Ended September 30, 2003

| | Private Securities | Public Securities | Cash | Other Assets | Total Assets | Accrued Expenses | Net Assets 09/30/03 |
|---|--------------------|-------------------|-------------|--------------|--------------|------------------|---------------------|
| <u>Limited Partners</u> | | | | | | | |
| State Teachers Ret. System of Ohio | \$9,415,249 | \$0 | \$313,710 | \$80,410 | \$9,809,369 | (\$7,109) | \$9,802,260 |
| Nassau Capital Funds | 3,138,418 | 0 | 104,570 | 26,803 | 3,269,791 | (2,370) | 3,267,421 |
| Robert Wood Johnson Foundation | 3,138,418 | 0 | 104,570 | 26,803 | 3,269,791 | (2,370) | 3,267,421 |
| Northwestern University | 3,138,418 | 0 | 104,570 | 26,803 | 3,269,791 | (2,370) | 3,267,421 |
| LACERA | 3,138,418 | 0 | 104,570 | 26,803 | 3,269,791 | (2,370) | 3,267,421 |
| Textron Master Trust | 3,138,418 | 0 | 104,570 | 26,803 | 3,269,791 | (2,370) | 3,267,421 |
| Wachovia Investors, Inc. (First Union) | 2,353,810 | 0 | 78,428 | 20,103 | 2,452,341 | (1,776) | 2,450,565 |
| Pension Commissioners of City of LA | 1,569,207 | 0 | 52,285 | 13,402 | 1,634,894 | (1,185) | 1,633,709 |
| Princess Private Equity | 1,569,207 | 0 | 52,285 | 13,402 | 1,634,894 | (1,185) | 1,633,709 |
| Hillside Capital Incorporated | 1,098,443 | 0 | 36,599 | 9,381 | 1,144,423 | (829) | 1,143,594 |
| Hamilton Lane-Carpenters Fund | 941,523 | 0 | 31,371 | 8,041 | 980,935 | (711) | 980,224 |
| UNISYS Master Trust | 941,523 | 0 | 31,371 | 8,041 | 980,935 | (711) | 980,224 |
| Venture Investment Associates III, L.P. | 721,836 | 0 | 24,051 | 6,165 | 752,052 | (545) | 751,507 |
| Fleet Growth Resources (Summit) | 627,683 | 0 | 20,914 | 5,361 | 653,958 | (474) | 653,484 |
| S.R. One Limited | 627,683 | 0 | 20,914 | 5,361 | 653,958 | (474) | 653,484 |
| Pharma BioDevelopment, Inc. | 627,683 | 0 | 20,914 | 5,361 | 653,958 | (474) | 653,484 |
| Private Equity Holdings II, Ltd. | 313,840 | 0 | 10,457 | 2,680 | 326,977 | (237) | 326,740 |
| | \$36,499,777 | \$0 | \$1,216,149 | \$311,723 | \$38,027,649 | (\$27,560) | \$38,000,089 |
| <u>General Partner</u> | | | | | | | |
| CHP II Management, LLC. | 368,686 | 0 | 12,284 | 3,149 | 384,119 | (278) | 383,841 |
| Total Partnership | \$36,868,463 | \$0 | \$1,228,443 | \$314,872 | \$38,411,768 | (\$27,838) | \$38,383,930 |

CHP II, L.P.
Statement of Partners' Capital Accounts *
For the Nine Months Ended September 30, 2003

| <u>Limited Partner</u> | Partners' Capital 01/01/03 | Net Capital Contribution | Non-Portfolio Income | Net Investment Income | Realized Gains (Losses) | Total Income | Unrealized Gains (Losses) | Distributions | Partners' Capital 09/30/03 |
|------------------------------------|----------------------------|--------------------------|----------------------|-----------------------|-------------------------|---------------|---------------------------|---------------|----------------------------|
| State Teachers Ret. System of Ohio | \$6,788,824 | \$3,373,492 | \$1,866 | (\$565,046) | \$0 | (\$563,180) | \$203,124 | \$0 | \$9,802,260 |
| Nassau Capital Funds | 2,262,943 | 1,124,497 | 622 | (188,349) | 0 | (187,727) | 67,708 | 0 | 3,267,421 |
| Robert Wood Johnson Foundation | 2,262,943 | 1,124,497 | 622 | (188,349) | 0 | (187,727) | 67,708 | 0 | 3,267,421 |
| Northwestern University | 2,262,943 | 1,124,497 | 622 | (188,349) | 0 | (187,727) | 67,708 | 0 | 3,267,421 |
| Textron Master Trust | 2,262,943 | 1,124,497 | 622 | (188,349) | 0 | (187,727) | 67,708 | 0 | 3,267,421 |
| LACERA | 2,262,943 | 1,124,497 | 622 | (188,349) | 0 | (187,727) | 67,708 | 0 | 3,267,421 |
| Wachovia Investors (First Union) | 1,697,206 | 843,373 | 467 | (141,262) | 0 | (140,795) | 50,781 | 0 | 2,450,565 |
| Pension Commissioners-City of LA | 1,131,470 | 562,249 | 311 | (94,174) | 0 | (93,863) | 33,853 | 0 | 1,633,709 |
| Princess Private Equity | 1,131,470 | 562,249 | 311 | (94,174) | 0 | (93,863) | 33,853 | 0 | 1,633,709 |
| Hillside Capital Incorporated | 792,027 | 393,573 | 218 | (65,922) | 0 | (65,704) | 23,698 | 0 | 1,143,594 |
| Hamilton Lane-Carpenters Fund | 678,880 | 337,350 | 187 | (56,505) | 0 | (56,318) | 20,312 | 0 | 980,224 |
| UNISYS Master Trust | 678,880 | 337,350 | 187 | (56,505) | 0 | (56,318) | 20,312 | 0 | 980,224 |
| Venture Investment Associates III | 520,475 | 258,636 | 143 | (43,320) | 0 | (43,177) | 15,573 | 0 | 751,507 |
| Fleet Growth Resources | 452,590 | 224,898 | 124 | (37,670) | 0 | (37,546) | 13,542 | 0 | 653,484 |
| S.R. One Limited | 452,590 | 224,898 | 124 | (37,670) | 0 | (37,546) | 13,542 | 0 | 653,484 |
| Pharma BioDevelopment, Inc. | 452,590 | 224,898 | 124 | (37,670) | 0 | (37,546) | 13,542 | 0 | 653,484 |
| Private Equity Holdings II, Ltd. | 226,293 | 112,449 | 62 | (18,835) | 0 | (18,773) | 6,771 | 0 | 326,740 |
| <u>General Partner</u> | \$26,318,010 | \$13,077,900 | \$7,234 | (\$2,190,498) | \$0 | (\$2,183,264) | \$787,443 | \$0 | \$38,000,089 |
| CHP II Management, LLC. | 49,465 | 69,350 | 73 | (22,126) | | (22,053) | 7,954 | 0 | 104,716 |
| Total Partnership | \$26,367,475 | \$13,147,250 | \$7,307 | (\$2,212,624) | \$0 | (\$2,205,317) | \$795,397 | \$0 | \$38,104,805 |

* - 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, 2003

| | Partners' Contribution Account | Non-Portfolio Income | Net Investment Income | Realized Gains (Losses) | Total Income | Unrealized Gains (Losses) | Distributions | Partners' Account |
|--|--------------------------------|----------------------|-----------------------|-------------------------|----------------|---------------------------|---------------|-------------------|
| <u>Limited Partners</u> | | | | | | | | |
| State Teachers Ret. System of Ohio | \$15,006,609 | \$16,703 | (\$2,637,618) | (\$1,849,618) | (\$4,470,533) | (\$733,816) | \$0 | \$9,802,260 |
| Nassau Capital Funds | 5,002,203 | 5,569 | (879,206) | (616,540) | (1,490,177) | (244,605) | 0 | 3,267,421 |
| Robert Wood Johnson Foundation | 5,002,203 | 5,569 | (879,206) | (616,540) | (1,490,177) | (244,605) | 0 | 3,267,421 |
| Northwestern University | 5,002,203 | 5,569 | (879,206) | (616,540) | (1,490,177) | (244,605) | 0 | 3,267,421 |
| LACERA | 5,002,203 | 5,569 | (879,206) | (616,540) | (1,490,177) | (244,605) | 0 | 3,267,421 |
| Textron Master Trust | 5,002,203 | 5,569 | (879,206) | (616,540) | (1,490,177) | (244,605) | 0 | 3,267,421 |
| Wachovia Investors, Inc. (First Union) | 3,751,653 | 4,177 | (659,405) | (462,405) | (1,117,633) | (183,455) | 0 | 2,450,565 |
| Pension Commissioners of City of LA | 2,501,103 | 2,783 | (439,603) | (308,271) | (745,091) | (122,303) | 0 | 1,633,709 |
| Princess Private Equity | 2,501,103 | 2,783 | (439,603) | (308,271) | (745,091) | (122,303) | 0 | 1,633,709 |
| Hillside Capital Incorporated | 1,750,768 | 1,948 | (307,722) | (215,789) | (521,563) | (85,611) | 0 | 1,143,594 |
| Hamilton Lane-Carpenters Fund | 1,500,661 | 1,671 | (263,763) | (184,962) | (447,054) | (73,383) | 0 | 980,224 |
| UNISYS Master Trust | 1,500,661 | 1,671 | (263,763) | (184,962) | (447,054) | (73,383) | 0 | 980,224 |
| Venture Investment Associates III | 1,150,507 | 1,281 | (202,218) | (141,804) | (342,741) | (56,259) | 0 | 751,507 |
| Fleet Growth Resources (Summit) | 1,000,441 | 1,113 | (175,841) | (123,308) | (298,036) | (48,921) | 0 | 653,484 |
| S.R. One Limited | 1,000,441 | 1,113 | (175,841) | (123,308) | (298,036) | (48,921) | 0 | 653,484 |
| Pharma BioDevelopment, Inc. | 1,000,441 | 1,113 | (175,841) | (123,308) | (298,036) | (48,921) | 0 | 653,484 |
| Private Equity Holdings II, Ltd. | 500,219 | 557 | (87,921) | (61,654) | (149,018) | (24,461) | 0 | 326,740 |
| | \$58,175,622 | \$64,758 | (\$10,225,169) | (\$7,170,360) | (\$17,330,771) | (\$2,844,762) | \$0 | \$38,000,089 |
| <u>General Partner</u> | | | | | | | | |
| CHP II Management, LLC. | 587,633 | 655 | (103,285) | (72,427) | (175,057) | (28,735) | 0 | 383,841 |
| Total Partnership | \$58,763,255 | \$65,413 | (\$10,328,454) | (\$7,242,787) | (\$17,505,828) | (\$2,873,497) | \$0 | \$38,383,930 |

TO: The Limited Partners

FROM: John J. Park

DATE: October 20, 2003

SUBJECT: Portfolio Valuations for September 30, 2003

Investment securities held by CHP II, L.P. (the “Partnership”) have been valued in accordance with the Standard Valuation Policy of the Partnership. In accordance with the Policy, we propose to value restricted securities at cost, until subsequent events of a significant nature indicate the need for a change. This memorandum delineates the portfolio valuation calculations proposed by the General Partner for those investments not valued at cost, as of September 30, 2003.

ALNYLAM PHARMACEUTICALS – In July 2002, Alnylam completed a \$15.4 million first round financing at \$2.50 per share, valuing the company at \$20.15 post-money. New investor Atlas Ventures led the financing, with CHP II contributing \$3.25 million. In July 2003, the company completed a \$24.5 million financing, also priced at \$2.50 per share, in conjunction with the acquisition of RiboPharma AG. The financing included \$7.9 million from one new investor, Abingworth Capital. CHP II invested \$2.85 million. In September 2003, the company completed a strategic partnership with Merck & Co., including a \$10 million equity investment (\$5 million in Sept. 2003 and \$5 million in Sept. 2004) priced at \$5.00 per share. In accordance with the valuation policy of CHP II, due to the strategic nature of the Merck investment, we propose to value our Series A and Series B investment at \$3.75 per share, representing 50% of the increase from the previous value of \$2.50 per share and the Merck price of \$5.00 per share. This results in a total valuation for Alnylam of \$12.9 million, with an unrealized gain of \$5,800,000 on our cost basis of \$7,100,000 as of September 30, 2003. Including the \$2.85 million new investment during the period, this valuation represents an increase of \$7.15 million from the valuation as of June 30, 2003.

Value Computation:

| | |
|--------------------------------------|---------------------|
| Series A Convertible Preferred Stock | |
| 1,000,000 shares x \$3.75 | \$ 3,750,000 |
| Series B Convertible Preferred Stock | |
| 2,440,000 shares x \$3.75 | = <u>9,150,000</u> |
| | <u>\$12,900,000</u> |

CHP II, L.P.
Portfolio Valuations as of September 30, 2003
Page 2 of 3

INTELLICARE – In May 2002, IntelliCare completed a \$10.15 million second round financing at \$0.1923 per share, valuing the company at \$20.15 post-money. New investor Canaan Partners led the financing, with CHP II contributing \$1 million. We propose to value our investment on the basis of this financing, resulting in an unrealized loss of \$1,535,415 on our cost basis of \$4,000,000 as of September 30, 2003. This valuation represents no change from the valuation as of June 30, 2003.

Value Computation:

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

IPHYSICIANNET - In September 2000, iPhysicianNet completed a \$36 million financing led by KBL Healthcare Ventures and Patricof Ventures, with CHP II contributing \$5 million. Per the terms of the financing, on December 31, 2001 the conversion price for the shares was adjusted from \$4.00 to \$1.00, effectively reducing our cost per share to \$1.00. In February 2002, the company completed an \$11 million insider led financing that valued the company at \$94 million post-money. CHP II invested \$757,897, representing our pro-rata share of the financing. At the end of 2002, we reduced the carrying value for the iPhysicianNet investment to 50% of cost due to lagging operational results and difficulty attaining long-term financing. By the end of Q2 2003, an analysis of the company's financial requirements based on operational forecasts from management led us to further reduce the carrying value to a minimal value of \$1,000, until such time as the company had raised additional financing or was sold. In August 2003, management was unable to attain sufficient financial support to maintain operations and the company began an orderly liquidation of its assets. The equity holders will most likely receive no return from the liquidation, which should be complete by the end of 2003. At a value of \$1,000, the investment carries an unrealized loss of \$5,756,897 on our investment cost basis of \$5,757,897 as of September 30, 2003. This valuation represents no change from the valuation as of June 30, 2003.

Value Computation:

| | |
|--------------------------------------|----------------|
| Series E Convertible Preferred Stock | |
| 5,000,000 shares | = \$0 |
| Series G Convertible Preferred Stock | |
| 378,948 shares | <u>1,000</u> |
| | <u>\$1,000</u> |

CHP II, L.P.
Portfolio Valuations as of September 30, 2003
Page 3 of 3

MOLECULAR MINING - On May 10, 2001, Molecular Mining completed an \$8.3 million financing at \$2.0464 per share, valuing the company at \$18.3 million post-money. A new investor, Sofinov, led this financing, with CHP II investing \$1.5 million. During the first quarter of 2003, as the result of an inability to attain additional outside financing and the lack of sufficient operational progress to support continuing operations, management and the Board of Directors decided to cease operations and sell the assets of the company. Consequently, we have reduced the value of our Series B Preferred investment to \$100,000, reflecting a conservative estimate of current value. At this valuation, our investment shows an unrealized loss of \$1,409,060 on a cost basis of \$1,509,060 as of September 30, 2003. This valuation represents no change from our carrying value as of June 30, 2003.

Value Computation:

$$\begin{array}{rcl} \text{Series B Convertible Preferred Stock} & & \\ 737,422 \text{ shares} & = & \underline{\underline{\$100,000}} \end{array}$$

MOMENTA PHARMACEUTICALS – In May 2003, Momenta completed a \$19 million second round financing at \$2.95 per share, valuing the company at \$39.5 million post-money. New investors Atlas Ventures and MVM Limited led the financing, with CHP II contributing \$2.875 million. We propose to value our investment on the basis of this financing, resulting in an unrealized gain of \$27,875 on our cost basis of \$3,875,002 as of September 30, 2003. This valuation represents no change from our carrying value as of June 30, 2003.

Value Computation:

$$\begin{array}{rcl} \text{Series A Convertible Preferred Stock} & & \\ 348,432 \text{ shares} \times \$2.95 & & \$1,027,875 \\ \text{Series B Convertible Preferred Stock} & & \\ 974,577 \text{ shares} \times \$2.95 & = & \underline{\underline{2,875,002}} \\ & & \underline{\underline{\$3,902,877}} \end{array}$$

CHP II, L.P.
Portfolio Investment Valuation Summary
For the Quarter ended September 30, 2003

| <u>Portfolio Company</u> | <u>Investment</u> | <u>Fair Value</u> <u>09/30/03</u> | <u>Fair Value</u> <u>06/30/03</u> | <u>Change from</u> <u>Prior Quarter</u> | <u>Reason for Change</u> |
|-------------------------------|-------------------|--------------------------------------|--------------------------------------|--|---|
| Alnylam Pharmaceuticals, Inc. | \$7,100,000 | \$12,900,000 | \$5,570,000 | \$7,150,000 | Investment and Strategic Partnership (note 1) |
| AthenaHealth, Inc. | \$5,000,001 | \$5,000,001 | \$5,000,001 | \$0 | |
| CardioOptics, Inc. | \$2,000,000 | \$2,000,000 | \$2,000,000 | \$0 | |
| Intellicare America, Inc. | \$4,000,000 | \$2,464,585 | \$2,464,585 | \$0 | |
| IPhysicianNet, Inc. | \$5,757,897 | \$1,000 | \$1,000 | \$0 | |
| Mobile Medical Industries | \$4,000,000 | \$4,000,000 | \$4,000,000 | \$0 | |
| Molecular Mining Corporation | \$1,509,060 | \$100,000 | \$100,000 | \$0 | |
| Momenta Pharmaceuticals | \$3,875,002 | \$3,902,877 | \$3,902,877 | \$0 | |
| Replication Medical | \$2,500,000 | \$2,500,000 | \$2,500,000 | \$0 | |
| Rib-X Pharmaceuticals | \$4,000,000 | \$4000,000 | \$4,000,000 | \$0 | |
| Total Portfolio | \$39,741,960 | \$36,868,463 | \$29,718,463 | \$7,150,000 | |

- 1) On July 30, 2003, CHP II contributed \$2.85 million to the \$24.5 million financing round done in conjunction with the acquisition of RiboPharma AG. The financing included \$7.9 million from RiboPharma investor Abingworth Capital and \$16.9 from the current investor group. The financing was priced at \$2.50 per share, valuing the combined entity at \$60 million post-money. In addition, in September the company completed a strategic partnership with Merck & Co. As part of this partnership, Merck agreed to invest \$10 million at \$5.00 per share (\$5 million in Sept. 2003 and \$5 million in Sept. 2004). Accordingly, the Alnylam Investment is now valued at \$3.75 per share, representing the midpoint between \$2.50 and \$5.00.

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

Therapeutics Based on the Novel Biological Mechanism of RNA Interference

Period Summary: 3rd Quarter 2003

This was a groundbreaking quarter in terms of accomplishments for Alnylam. In late July, the company completed its merger with European based Ribopharma AG and the concurrent \$24.6 million financing. In September, the company completed a strategic alliance with Merck & Co., the first major collaboration between a leading pharmaceutical company and an RNAi therapeutics company. The agreement calls for up-front and annual cash payments as well as a \$10 million equity investment in two stages. With the completion of these transactions, Alnylam has positioned itself as the clear leader in the field with significant capital resources to accomplish its goals.

The merger with Ribopharma will result in increased competitive strengths and synergies across several key areas. In the area of intellectual property, the company will have a formidable worldwide intellectual property estate, which includes patents in the fundamental technology of RNAi from Alnylam and core patents relating to product composition and therapeutic applications of RNAi from Ribopharma. In addition, the company will have the foundation of a strong product-generating engine for RNAi therapeutics, based on their in-house pioneering research and development programs. Post-merger and the concurrent financing, the combined entity was valued at \$64 million.

Merck and Alnylam will work collaboratively to develop RNAi-based therapeutics that selectively target human diseases. Under the terms of the agreement, Merck made a \$2 million upfront cash payment and invested \$5 million in a new series of preferred equity at \$5 per share. Additional cash payments and equity investment will be triggered by achievement of a pre-specified technology milestone. Merck will also make further payments to Alnylam for each RNAi-based drug candidate in which Merck elects to participate in further development and commercialization. Merck will receive a co-exclusive license to Alnylam intellectual property for use in in vitro and in vivo target identification and validation.

With the acquisition of RiboPharma, Alnylam has solidified its position as the leading player in RNAi therapeutics. The combination consolidated the fundamental patents in the field and made Alnylam the clear choice for strategic relationships with major pharmaceutical companies. Alnylam now has a stellar investor syndicate including founding investors Cardinal and Polaris, along with Atlas Ventures, Arch Venture Partners and Abingworth Capital Management. With a strong senior management team and the Merck alliance closed, the major goal remaining for 2003 is the initiation of pre-clinical development for its lead scientific programs.

ALNYLAM PHARMACEUTICALS (cont.)

FINANCIAL RESULTS: (\$000)

Overview: (FYE 12/31)

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

* - Subject to Audit

Last Three Months: Quarter Ended September 30, 2003

| | <i>Actual</i> | <i>Budget</i> | <i>Variance</i> |
|--------------------|---------------|---------------|-----------------|
| Revenues | 0 | 5,000 | -5,000 |
| R&D Expenses | 1,570 | 1,619 | +49 |
| SG&A Expenses | 3,439 | 1,696 | -1,743 |
| EBIT | -5,009 | 1,685 | -6,694 |
| Interest and Taxes | 3 | 2 | +1 |
| Net Income | -5,006 | 1,687 | -6,693 |

Fiscal Year-to-Date: Nine Months Ended September 30, 2003

| | <i>Actual</i> | <i>Budget</i> | <i>Variance</i> |
|--------------------|---------------|---------------|-----------------|
| Revenues | 0 | 5,000 | -5,000 |
| R&D Expenses | 3,341 | 4,004 | +663 |
| SG&A Expenses | 6,181 | 5,298 | -883 |
| EBIT | -9,522 | -4,302 | -5,220 |
| Interest and Taxes | 58 | +41 | +17 |
| Net Income | -9,464 | -4,261 | -5,203 |

ALNYLAM PHARMACEUTICALS (cont.)

Summary Balance Sheet as of September 30, 2003: (\$000)

| | | | |
|----------------------|-----------------|-----------------------------|-----------------|
| Cash | \$ 26,488 | Accounts Payable | \$ 725 |
| Accounts Receivable | 0 | Accrued Expenses | 796 |
| Other Current Assets | <u>3,225</u> | Deferred Revenue | <u>2,000</u> |
| Total Current Assets | 29,713 | Total Current Liabilities | 3,521 |
| Net PP&E | 1,564 | Long Term Debt - Lease line | 1,213 |
| Intangibles (Net) | 2,973 | Shareholders Equity | 47,328 |
| Other Assets | <u>6,295</u> | Retained Earnings | <u>-11,513</u> |
| Total Assets | <u>\$40,545</u> | Total Liabilities & Equity | <u>\$40,549</u> |

Comments:

With the new \$26.4 million financing expected to close in July, the company will have raised a total of \$43 million since its inception in July 2002. These funds are expected to support operations for at least two years.

CHP II, L.P. Holdings:

| | |
|--|------------------|
| Series A Convertible Preferred Stock | 1,000,000 shares |
| Assigned Fair Value (1,000,000 x \$3.75) | \$3,750,000 |
| Investment Cost | \$1,000,000 |
| Cost per Share | \$1.00 |
| Series B Convertible Preferred Stock | 2,440,000 shares |
| Assigned Fair Value (2,440,000 x \$3.75) | \$9,150,000 |
| Investment Cost | \$6,100,000 |
| Cost per Share | \$2.50 |
| % Ownership (Full Dilution) | 13.4% |
| Company Valuation at CHP II Cost | \$52.9 million |
| Company Valuation at Assigned Fair Value | \$96.3 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 2003

Athena continued its solid financial performance for 2003 through the third quarter, albeit with some hiccups early in the quarter. Sales for the quarter were slightly below plan, however YTD sales remain ahead of budget. Revenues for the quarter were off plan due to higher than anticipated account attrition in July and early August (accounts which were sold, but subsequently could not be implemented or reversed decision on implementation). YTD revenues are within 2% of budget, with the company on track to again show year-to-year revenue growth of over 100% in 2003. Lower gross margins together with an implementation gap that existed at the beginning of the quarter drove net income to be \$439K behind plan. Increased interest expense related to an anticipated \$6 million sub-debt facility to close next quarter coupled with additional sales and marketing expenses for Q4 2003 will move the attainment of cash flow breakeven into Q1 2004.

Revenues for the quarter exceeded \$6.5 million, increasing 16% over the prior quarter, but coming in 6% below plan. Implementations hit a new record of \$4.3 million for the quarter, but this failed to close the YTD gap caused by higher than planned account attrition early in the quarter. Net income and EBITDA both were negatively impacted by the lower revenue level and higher operating expenses due to several non-recurring items recorded in August. Monthly operating cash burn averaged \$175K for the period, down over 40% from the prior quarter. However, overall cash burn for the period was over budget due to working capital adjustments for amounts accrued at the end of last quarter. The cash balance at the end of September was \$4.7 million, 5% below the original budget of \$5.0 million.

Looking ahead, the Q4 sales pipeline is strong and management expects to meet its sales budget for the year. The company expects to close a \$6 million sub-debt facility (Orix/GE and Silicon Valley Bank), in Q4 and pursue a further \$1 million equipment line with GE Capital. With these additional capital resources in place, the company has greatly strengthened its balance sheet to support anticipated growth in the coming year. We continue to expect the company will finish 2003 with an annual revenue run rate exceeding \$30 million and be an attractive candidate for a liquidity event with its robust recurring revenue model and strong margins. We remain very excited about the prospects for the Athena investment.

ATHENAHEALTH, INC (cont.)

FINANCIAL RESULTS: (\$000)

Overview: (FYE 12/31)

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

* Subject to Audit

Last Three Months: Quarter Ended September 30, 2003

| | <i>Actual</i> | <i>Budget**</i> | <i>Variance</i> |
|--------------------|---------------|-----------------|-----------------|
| Revenues | 6,485 | 6,872 | -387 |
| Direct Expenses | 4,261 | 4,371 | +110 |
| SG&A | 2,713 | 2,451 | -262 |
| EBITDA | -489 | 50 | -539 |
| Depreciation | 718 | 823 | +105 |
| Interest and Taxes | -85 | -106 | +21 |
| Net Income | -1,292 | -879 | +413 |

Fiscal Year-to-Date: Nine Months Ended September 30, 2003

| | <i>Actual</i> | <i>Budget**</i> | <i>Variance</i> |
|--------------------|---------------|-----------------|-----------------|
| Revenues | 17,151 | 17,551 | -400 |
| Direct Expenses | 11,600 | 12,171 | +571 |
| SG&A | 7,433 | 6,991 | -442 |
| EBITDA | -1,882 | -1,611 | -271 |
| Depreciation | 2,122 | 2,334 | +212 |
| Interest and Taxes | -260 | -295 | +35 |
| Net Income | -4,264 | -4,240 | -24 |

** Budget Revised – February 2003

ATHENAHEALTH, INC. (cont.)

Summary Balance Sheet as of September 30, 2003: (\$000)

| | | | |
|----------------------|-----------------|-----------------------------|-----------------|
| Cash | \$ 4,734 | A/P and Accrued Expenses | \$ 2,495 |
| Accounts Receivable | 2,860 | Deferred Revenue | 1,910 |
| Other Current Assets | <u>527</u> | Working Capital LOC | <u>2,230</u> |
| Total Current Assets | 8,121 | Total Current Liabilities | 6,635 |
| Net PP&E | 2,702 | Long Term Debt - Lease line | 2,813 |
| Intangibles (Net) | 1,953 | Shareholders Equity | 43,335 |
| Other Assets | <u>134</u> | Retained Earnings | <u>-39,873</u> |
| Total Assets | <u>\$12,910</u> | Total Liabilities & Equity | <u>\$12,910</u> |

Comments:

Cash burn for the year is \$300K below expectations for the year. Management is close to completing a \$6 million sub-debt facility and an increase to the working capital line. In combination, these capital resources will greatly strengthen the balance sheet. The company is forecasting cash flow breakeven by the end of Q1 2004.

CHP II, L.P. Holdings:

| | |
|--|------------------|
| Series D Convertible Preferred Stock | 1,623,377 shares |
| Assigned Fair Value | \$5,000,001 |
| Investment Cost | \$5,000,001 |
| Cost per Share | \$3.08 |
| % Ownership (Full Dilution) | 6.2% |
| Company Valuation at CHP II Cost | \$81.3 million |
| Company Valuation at Assigned Fair Value | \$81.3 million |

Outlook:

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

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

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

Period Summary: 3rd Quarter 2003

As reported previously, inconsistent results in animal testing during February and March of this year, led management to pare operations to concentrate solely on perfecting the technology to produce predictable and consistent images. The program initiated in May is now producing very encouraging and consistent results. Management continues to focus on improvements to the stability and quality of the images, but they are confident that the technology issues will be resolved by the end of this year. The company will likely file for 510k approval and begin their initial human tests in the first half of 2004.

Animal testing has proven to be of very great value in moving the refinement of the instrumentation along rapidly. Therefore, the company has increased the number of animal tests to fifteen versus the eight originally scheduled, without changing the overall timetable for completion of the project. To date eight animal tests have completed and the program is on schedule for completion in November. The new catheter lens and tip designs are producing images in the atrium repeatably and of good image quality. Mechanical stabilization of the tip still need improvement, but the primary issues of illumination spread and image clarity have been mostly resolved. The software package in development to improve image digitization has taken longer than anticipated, but should be ready by the end of October. Management is so confident in the ability to produce excellent results, that they have scheduled demonstration sessions, during animal testing, with potential corporate partners. The strategy is to partner with high-profile industry leaders for distribution into the company's initial clinical applications; congestive heart failure and lead placement for treatment of atrial fibrillation.

Financial results reflect the reduced cash burn plan that was put into effect early last quarter. Monthly cash burn has been reduced to \$120K, allowing the company to sustain its R&D focused program for another 8-10 months. The company now has in place a cash efficient development strategy that has yielded significant progress on existing capital.

Management is now very optimistic that development of a new prototype can be completed for use in initial human clinical testing by the beginning of 2004. With animal testing producing good results, the key milestones for the company over the next 6 to 9 months are; submission and approval of 510(k) for initial indication, initiation of human testing, and making significant progress on the development of strategic marketing relationships. We have been very encouraged by the results of the R&D program to date and remain very enthusiastic about the prospects for Cardio-Optics.

CARDIO-OPTICS, INC. (cont.)

FINANCIAL RESULTS: (\$000)

Overview: (FYE 12/31)

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

Last Three Months: Quarter Ended September 30, 2003

| | <i>Actual</i> | <i>Budget</i> | <i>Variance</i> |
|--------------------|---------------|---------------|-----------------|
| Revenues | 0 | 0 | 0 |
| Cost of Sales | 0 | 0 | 0 |
| SG&A | 368 | 371 | +3 |
| EBIT | -368 | -371 | +3 |
| Interest and Taxes | 5 | 3 | +2 |
| Net Income | -363 | -368 | +5 |

Fiscal Year-to-Date: Nine Months Ended September 30, 2003

| | <i>Actual</i> | <i>Budget</i> | <i>Variance</i> |
|--------------------|---------------|---------------|-----------------|
| Revenues | 0 | 0 | 0 |
| Cost of Sales | 0 | 0 | 0 |
| SG&A | 1,647 | 1,996 | +349 |
| EBIT | -1,647 | -1,996 | +349 |
| Interest and Taxes | -31 | 15 | -46 |
| Net Income | -1,678 | -1,981 | +303 |

CARDIO-OPTICS, INC. (cont.)

Summary Balance Sheet as of September 30, 2003: (\$000)

| | | | |
|----------------------|-----------------|-----------------------------|-----------------|
| Cash | \$ 1,118 | Accounts Payable | \$ 14 |
| Accounts Receivable | 0 | Accrued Expenses | 203 |
| Other Current Assets | <u>0</u> | Other Current Liabilities | <u>0</u> |
| Total Current Assets | 1,118 | Total Current Liabilities | 217 |
| Net PP&E | 107 | Long Term Debt - Lease line | 13 |
| Intangibles (Net) | 0 | Shareholders Equity | 7,412 |
| Other Assets | <u>92</u> | Retained Earnings | <u>-6,325</u> |
| Total Assets | <u>\$ 1,317</u> | Total Liabilities & Equity | <u>\$ 1,317</u> |

Comments:

Managements reduced cash burn plan has reduced monthly cash outlay to \$120K. This rate will be maintained until the technology issues are resolved and a new prototype is available for human testing, likely in early 2004. We forecast that current capital should provide the company with adequate resources to fund operations well into Q2 2004.

CHP II, L.P. Holdings:

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

Outlook:

With significant progress made on the technical issues confronting the company over the last quarter, we are very optimistic these can be resolved successfully and Cardio-Optics will provide superior returns on our investment.

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

Integrated Telecommunications, Web and Data Networks for Patient Management

Period Summary: 3rd Quarter 2003

Financial performance at Intellicare slipped a bit in the third quarter, but remains very close to plan in all respects on a year-to-date basis. Operationally, the company continued to perform well and business unit margins have now reached 15%, a 32% improvement over last year. During the quarter, the company received an acquisition offer at an acceptable but not outstanding value. However, the transaction was jointly terminated over technical and valuation issues early in Q4. While this is somewhat disappointing, the valuation was not one that leads us regret losing the opportunity, and the exercise was both healthy and valuable for management.

Revenues for the quarter were 87% of plan primarily due the wind-down of activity with one large disease management customer, offset somewhat by the launch of a significant new CMS customer in September. Year to date revenues are within 2% of plan, but Q4 revenues are projected to be only slightly better than Q3 for the same reasons, resulting in a revenue shortfall from plan for the year of 9%. Net loss for the quarter was exacerbated by the one-time reorganization charge totaling \$300K booked in July. Cash flow has run behind expectation primarily because of the reorganization costs, expenditures related to the terminated acquisition offer and decreases in deferred revenue from the shift in new business from technology to outsource. Management now predicts a cash balance of \$3.1 million at year-end, or about 20% below budget. Monthly cash burn by the end of the year is expected to be \$100K.

The operational investments begun this quarter by management in the areas of workforce management and training are in various stages of deployment. These investments have not yet produced the anticipated margin improvement, and management now forecasts these improvements will be pushed into Q1 of 2004 instead of Q4 of 2003. Management is focused on the achievement of EBITDA profitability in Q2 of 2004. While this is a meaningful achievement, management has realized that the company may not achieve strong growth and the corresponding value creation under its current business model. The investors and management have begun the process of assessing core competencies and refining the business strategy to build a more valuable asset.

INTELLICARE AMERICA (cont.)

FINANCIAL RESULTS: (\$000)

Overview: (FYE 12/31)

| | <i>2001 Actual</i> | <i>2002 Actual</i> | <i>2003 Budget</i> |
|--------------------|--------------------|--------------------|--------------------|
| Revenues | 5,483 | 7,505 | 14,950 |
| Cost of Revenues | 6,593 | 6,945 | 11,823 |
| SG&A | 3,159 | 4,460 | 6,077 |
| EBIT | -4,269 | -3,900 | -2,950 |
| Interest and Taxes | 60 | -3 | -39 |
| Net Income | -4,209 | -3,903 | -2,989 |

Last Three Months: Quarter Ended September 30, 2003

| | <i>Actual</i> | <i>Budget</i> | <i>Variance</i> |
|--------------------|---------------|---------------|-----------------|
| Revenues | 3,604 | 4,150 | -546 |
| Cost of Revenues | 2,248 | 2,391 | +143 |
| SG&A | 2,305 | 2,476 | +171 |
| EBIT | -949 | -717 | -232 |
| Interest and Taxes | -11 | -18 | +7 |
| Net Income | -960 | -735 | -225 |

Fiscal Year-to-Date: Nine Months Ended September 30, 2003

| | <i>Actual</i> | <i>Budget</i> | <i>Variance</i> |
|--------------------|---------------|---------------|-----------------|
| Revenues | 10,710 | 10,801 | -91 |
| Cost of Revenues | 6,650 | 6,294 | -356 |
| SG&A | 6,914 | 7,173 | +259 |
| EBIT | -2,854 | -2,666 | -188 |
| Interest and Taxes | -4 | -54 | +50 |
| Net Income | -2,858 | -2,720 | -138 |

INTELLICARE AMERICA (cont.)

Summary Balance Sheet as of September 30, 2003: (\$000)

| | | | |
|----------------------|-----------------|----------------------------|-----------------|
| Cash | \$ 4,091 | Accounts Payable | \$ 539 |
| Accounts Receivable | 1,457 | Accrued Payroll | 1,083 |
| Other Current Assets | <u>97</u> | Other Current Liabilities | <u>1,493</u> |
| Total Current Assets | 5,645 | Total Current Liabilities | 3,115 |
| Net PP&E | 1,572 | Long Term Liabilities | 604 |
| Intangibles (Net) | 54 | Shareholders Equity | 19,288 |
| Other Assets | <u>196</u> | Retained Earnings | <u>-15,540</u> |
| Total Assets | <u>\$ 7,467</u> | Total Liabilities & Equity | <u>\$ 7,467</u> |

Comments:

Intellicare is currently 15% behind plan for cash. Monthly operating cash burn is decreasing steadily and should reach \$100K by the end of the year. Current capital is expected to be more than sufficient to support operations through the attainment of cash flow break even in the early months of 2004.

CHP II, L.P. Holdings:

| | |
|--|------------------|
| Series B Convertible Preferred Stock | 3,000,000 shares |
| Assigned Fair Value (\$0.1923 x 7,616,146 CSE's) | \$1,464,585 |
| Investment Cost | \$3,000,000 |
| Cost per Share | \$1.00 |
| Series C Convertible Preferred Stock | 5,200,208 shares |
| Assigned Fair Value | \$1,000,000 |
| Investment Cost | \$1,000,000 |
| Cost per Share | \$0.1923 |
| Series C Preferred Stock Warrants | 510,243 shares |
| Exercise Price Per Share | \$0.1923 |
| % Ownership (Full Dilution) | 12.7% |
| Company Valuation at CHP II Cost | \$31.5 million |
| Company Valuation at Assigned Fair Value | \$20.1 million |

Outlook:

With the company on a clear path to profitability and management's focus on value creation, 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 2003

Entering the quarter, iPhysicianNet (IPNI) required additional financing and was looking for support from its current client and investor base. A deal to provide financing was close to completion with three of the company's clients and its' largest investor. However, in late July, another client informed the company of their intention to terminate the service and the financing collapsed. With little or no alternatives, management and the investors decided that an orderly liquidation of the assets was the best course of action. Given the level of outstanding liabilities, we expect no return from our investment.

iPhysician's failure was disappointing to both customers and investors. IPNI pioneered the edetailing space, and was recognized as the industry leader as demonstrated by their blue chip customer list and resulting revenues. The pharmaceutical industry had publicly announced that the current form of detailing was not effective, and one of the top initiatives at all firms is to deploy an edetailing strategy. Unfortunately IPNI encountered a number of issues that prevented them from further exploiting the opportunity. There were three primary causes of failure: (1) the initial high cost of their technology platform and the inability to switch to a more cost effective platform in a timely manner; (2) customer demand to rapidly expand the network without a willingness to fund the cost; and (3) pharmaceutical industry product and financial pressures leading to cost cutbacks, including edetailing programs, directly resulting in the loss of two key customers. Ironically, if IPNI had been able to expand the network to 20,000 physicians, they would not have lost those customers because IPNI would have established themselves as too critical to the business.

In summary, if the company had been able to make the technology conversion early enough, they would have had the capital to make the company a success. Even in the final days, several customers and investors committed capital to keep the doors open, but management was unable to raise sufficient cash to sustain operations. In addition, the company was in advanced discussions with several acquirers, however a transaction could not be finalized before they ran out of capital.

iPHYSICIANNET (cont.)

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

| | | | |
|----------------------|-----------------|----------------------------|-----------------|
| Cash | \$ 100 | Accounts Payable | \$ 3,351 |
| Accounts Receivable | 173 | Accrued Expenses | 2,649 |
| Other Current Assets | <u>0</u> | Deferred Revenue | <u>6,083</u> |
| Total Current Assets | 273 | Total Current Liabilities | 12,083 |
| Net PP&E | 3,649 | Long Term Debt | 7,458 |
| Intangibles (Net) | 0 | Shareholders Equity | 79,948 |
| Other Assets | <u>792</u> | Retained Earnings | <u>-94,775</u> |
| Total Assets | <u>\$ 4,714</u> | Total Liabilities & Equity | <u>\$ 4,714</u> |

Comments:

The company has initiated an orderly liquidation of its assets. Given the high level of debt and liabilities at the company, there will most likely be no return to the equity investors.

CHP II, L.P. Holdings:

| | |
|--|------------------|
| Series E Convertible Preferred Stock | 1,250,000 shares |
| Common Stock Equivalents | 5,000,000 shares |
| Assigned Fair Value | \$0 |
| Investment Cost | \$5,000,000 |
| Cost per Common Stock Equivalent | \$1.00 |
| Series G Convertible Preferred Stock | 378,948 shares |
| Assigned Fair Value | \$1,000 |
| Investment Cost | \$757,897 |
| Cost Per Share | \$2.00 |
| Common Stock Warrant (Series G Warrant Shares) | 757,896 shares |
| Exercise Price per Share | \$0.01 |
| % Ownership (Full Dilution) | 6.1% |
| Company Valuation at CHP II Cost | \$94.4 million |
| Company Valuation at Assigned Fair Value | Minimal |

Outlook:

There will most likely be no return on the investment in IPNI.

MOBILE MEDICAL INDUSTRIES, INC.

Boca Raton, FL

{www.mobilemedicalind.com}

Provider of comprehensive, integrated home-based medical services.

Period Summary: 3rd Quarter 2003

The new senior management team at Mobile Medical (MMI) is focusing on improving current operating performance and pursuing growth opportunities. The company has fallen behind on its 2003 operating plan as forecast acquisitions for the first half of the year were delayed or not completed. While financial performance for the period lagged plan, the company was breakeven for the month of September and expects to be breakeven for Q4. The company has identified a significant acquisition opportunity that could more than double its revenues by the end of 2004. Management expects to propose a term sheet for the transaction next month and hopes to close by year-end.

Revenues for the quarter were \$8.7 million, 8% higher than last quarter, but well under plan primarily due to delays in closing planned acquisitions earlier in the year. Same store sales growth slowed during the period, but showed sign of recovering to plan levels by the end of the quarter. During the quarter, MMI completed some smaller acquisitions that will bring Q4 revenues closer to the original forecast. Gross margin percentage was below plan during the quarter, as a result of the lower revenue base and higher malpractice insurance premiums. However, the company remains on track for attaining its gross margin goals for the year. EBITDA was under plan for the quarter, but turned positive in September and is expected to be positive throughout Q4. YTD operating cash flow remains ahead of plan. Management is working on a \$5 million asset based revolving credit facility to be in place next quarter to facilitate larger acquisitions.

New CEO Greg Bellamy and new CFO Jim Douthitt have made a positive impact on operational performance at MMI in their first few months. Notwithstanding the slow pace of growth and acquisition activity during the first half of 2003, we are very enthusiastic about the future and the progress made since June. We are hopeful of reporting a significant acquisition in the coming quarter, with the company attaining sustainable profitability heading into 2004.

MOBILE MEDICAL INDUSTRIES, INC. (cont.)

FINANCIAL RESULTS: (\$000)

Overview: (FYE 12/31)

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

Last Three Months: Quarter Ended September 30, 2003

| | <i>Actual</i> | <i>Budget</i> | <i>Variance</i> |
|--------------------|---------------|---------------|-----------------|
| Revenues | 8,622 | 11,219 | -2,597 |
| Direct Expenses | 4,608 | 5,537 | +929 |
| SG&A | 5,782 | 6,077 | +295 |
| EBIT | -1,768 | -395 | -1,373 |
| Interest and Taxes | -40 | 32 | -72 |
| Net Income | -1,808 | -363 | -1,445 |
| EBITDA | -1,627 | -225 | -1,402 |

Fiscal Year-to-Date: Nine Months Ended September 30, 2003

| | <i>Actual</i> | <i>Budget</i> | <i>Variance</i> |
|--------------------|---------------|---------------|-----------------|
| Revenues | 25,586 | 28,851 | -3,265 |
| Direct Expenses | 13,223 | 14,701 | +1,478 |
| SG&A | 16,092 | 16,710 | +618 |
| EBIT | -3,729 | -2,560 | -1,169 |
| Interest and Taxes | -104 | 482 | -586 |
| Net Income | -3,833 | -2,078 | -1,755 |
| EBITDA | -3,318 | -2,145 | -1,173 |

MOBILE MEDICAL INDUSTRIES, INC. (cont.)

Summary Balance Sheet as of September 30, 2003: (\$000)

| | | | |
|-------------------------|-----------------|----------------------------|-----------------|
| Cash | \$ 8,636 | Accounts Payable | \$ 601 |
| Accounts Receivable | 6,900 | Accrued Expenses | 3,156 |
| Other Current Assets | <u>843</u> | Other Current Liabilities | <u>3,406</u> |
| Total Current Assets | 16,379 | Total Current Liabilities | 7,163 |
| Net PP&E | 1,388 | Debt and Other Liabilities | 1,056 |
| Acquired Goodwill (Net) | 9,204 | Shareholders Equity | 38,832 |
| Other Assets | <u>855</u> | Retained Earnings | <u>-19,225</u> |
| Total Assets | <u>\$27,826</u> | Total Liabilities & Equity | <u>\$27,826</u> |

Comments:

With the \$9.75 million cash infusion in May, the company has adequate capital resources to operate for at least 24 months. The company should be operating at cash flow positive in the next 2-3 months. We do not foresee the need for additional capital at MMI, unless an unforeseen large acquisition was to take place.

CHP II, L.P. Holdings:

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

% Ownership (Full Dilution) 8.5%

| | |
|--|----------------|
| Company Valuation at CHP II Cost | \$47.1 million |
| Company Valuation at Assigned Fair Value | \$47.1 million |

Outlook:

We remain very enthusiastic about the prospects for our investment in Mobile Medical.

MOLECULAR MINING CORPORATION

Kingston, Ontario

{www.molecularmining.com}

Software Tools for Genomics Research

Period Summary: 3rd Quarter 2003

By the end of the current quarter the liquidation process was substantially complete, with the exception of the sale of the intangible assets. All the tangible assets of the company have been sold and all of the liabilities of the company have been settled. PARTEQ Innovations is acting as agent to sell the intangible assets of the company. The agreement contains a revenue sharing component whereby PARTEQ will receive a ramping percentage of the proceeds, based upon the overall amount of the sale. Under the terms of the agreement, if the intangible assets are sold for any amount up to \$25.5 million, the proceeds will be split between the Series B Preferred shareholders and PARTEQ, with the Series A investors and the common shareholders receiving no return on their investment. There has been a good amount of activity from parties interested in buying the technology and other intangible assets, but we believe a price above \$2-\$3 million is highly unlikely. Our current estimate of total return on the CHP II investment is between \$100K - \$250K. CHP II will receive 18.25% of any distribution to the Series B investors.

It is expected that the liquidation process will be concluded over the next 6-9 months.

MOLECULAR MINING CORPORATION (cont.)

FINANCIAL RESULTS: (\$000)

Overview: (FYE 12/31)

| | <i>2001 Actual</i> | <i>2002 Actual</i> | <i>2003 Budget</i> |
|--------------------|--------------------|--------------------|--------------------|
| Revenues | 131 | 414 | 1,238 |
| Cost of Sales | 20 | 132 | 147 |
| Operating Expenses | 3,261 | 3,926 | 2,625 |
| EBIT | -3,150 | -3,644 | -1,534 |
| Interest and Taxes | 211 | 100 | 7 |
| Net Income | -2,939 | -3,544 | -1,527 |

Last Three Months: Quarter Ended September 30, 2003

| | <i>Actual*</i> | <i>Budget**</i> | <i>Variance</i> |
|------------------------|----------------|-----------------|-----------------|
| Revenues | 78 | | |
| Cost of Sales | 0 | | |
| Operating Expenses | 60 | | |
| EBIT | 18 | | |
| Loss on Sale of Assets | 0 | | |
| Interest and Taxes | 1 | | |
| Net Income | 19 | | |

Fiscal Year-to-Date: Nine Months Ended September 30, 2003

| | <i>Actual</i> | <i>Budget**</i> | <i>Variance</i> |
|------------------------|---------------|-----------------|-----------------|
| Revenues | 146 | | |
| Cost of Sales | 1 | | |
| Operating Expenses | 1,523 | | |
| EBIT | -1,378 | | |
| Loss on Sale of Assets | -332 | | |
| Interest and Taxes | 12 | | |
| Net Income | -1,698 | | |

* - Financial activity for the current quarter reflects corrections to prior periods.

** - No budget is presented, as Molecular Mining is no longer operational.

MOLECULAR MINING CORPORATION (cont.)

Summary Balance Sheet as of September 30, 2003: (\$000)

| | | | |
|----------------------|---------------|----------------------------|----------------|
| Cash | \$ 463 | Accounts Payable | \$ 1 |
| Accounts Receivable | 95 | Accrued Expenses | 0 |
| Prepaid Expenses | <u>0</u> | Notes Payable | <u>0</u> |
| Total Current Assets | 558 | Total Current Liabilities | 1 |
| Net PP&E | 0 | Long Term Debt | 0 |
| Intangibles (net) | 0 | Shareholders Equity | 11,152 |
| Other Assets | <u>0</u> | Retained Earnings | <u>-10,595</u> |
| Total Assets | <u>\$ 558</u> | Total Liabilities & Equity | <u>\$ 558</u> |

Comments:

The company has liquidated all its tangible assets and settled all outstanding liabilities. The balance sheet does not contain any value for the intellectual property assets of the company, which are currently being sold. The current estimate is that approximately \$1 million will be available for distribution to the Series B investors upon completion of the liquidation. There will most likely be no return for the Series A investors or the common equity holders.

CHP II, L.P. Holdings:

| | |
|--------------------------------------|----------------|
| Series B Convertible Preferred Stock | 737,422 shares |
| Assigned Fair Value | \$100,000 |
| Investment Cost | \$1,509,060 |
| Cost per Share | \$2.05 |

| | |
|-----------------------------|------|
| % Ownership (Full Dilution) | 8.2% |
|-----------------------------|------|

| | |
|--|----------------|
| Company Valuation at CHP II Cost | \$18.0 million |
| Company Valuation at Assigned Fair Value | Minimal |

Outlook:

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

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

Glycomics Based Drug Discovery and Development

Period Summary: 3rd Quarter 2003

On the heels of their successful financing effort, Momenta continued to make significant progress towards the filing of an abbreviated new drug application (ANDA) for its lead drug candidate, a generic form of heparin. During the quarter, management continued its informal discussions with the FDA and has developed a plan for completing its filing. In addition, corporate partnering discussions to help finance the development and distribution of the product are in the final stages of contract negotiation with three different parties. A deal will most likely be completed early next quarter.

Management has developed an aggressive plan to file the ANDA for its lead product by June 2004. The company has been in contact with the Office of Generic Drugs at the FDA following its initial meeting with agency personnel in May. Management wants to maintain a close working relationship with the FDA throughout the application and approval process, to ensure an efficient process. The company anticipates initiating the manufacture of the drug product necessary for the filing of the ANDA by year-end.

Momenta made great progress towards finalizing its first corporate alliance this quarter. The company has purposely continued to parallel process multiple partners to reduce risk and maintain a competitive arena for the deal. The most promising discussions are moving towards a negotiated definitive agreement and an established timeline for execution. In September, the Board tentatively approved the deal and empowered management to complete the transaction. Management is confident of finalizing a deal early in Q4.

In order to support its goals for the next two years, the company has initiated an aggressive hiring plan and began looking for a long-term lab and office facility. The hiring plan for the second half of this year includes a CFO, a Vice President of R&D and Patent Counsel, as well as numerous scientific positions. Management has also outlined a financing plan that looks to position the company to be able to access all potential financing avenues in 2004, including further corporate deals, a mezzanine financing or an initial public offering. With management well on its way towards the achievement of most of its goals for 2003, the prospects for Momenta remain excellent.

MOMENTA PHARMACEUTICALS, INC. (cont.)

FINANCIAL RESULTS: (\$000)

Overview: (FYE 12/31)

| | <i>2001 Actual</i> | <i>2002 Actual</i> | <i>2003 Budget</i> |
|--------------------|--------------------|--------------------|--------------------|
| Revenues | 0 | 0 | 100 |
| Research Expenses | 206 | 1,436 | 4,492 |
| Operating Expenses | 161 | 2,701 | 7,495 |
| EBIT | -367 | -4,137 | -11,887 |
| Interest and Taxes | 2 | 17 | 21 |
| Net Income | -365 | -4,120 | -11,866 |

* - Subject to Audit

Last Three Months: Quarter Ended September 30, 2003

| | <i>Actual</i> | <i>Budget</i> | <i>Variance</i> |
|--------------------|---------------|---------------|-----------------|
| Revenues | 0 | 0 | 0 |
| Research Expenses | 591 | 702 | +111 |
| Operating Expenses | 1,650 | 2,372 | +722 |
| EBIT | -2,241 | -3,074 | +833 |
| Interest and Taxes | 12 | 71 | -59 |
| Net Income | -2,229 | -3,003 | +744 |

Fiscal Year-to-Date: Nine Months Ended September 30, 2003

| | <i>Actual</i> | <i>Budget</i> | <i>Variance</i> |
|--------------------|---------------|---------------|-----------------|
| Revenues | 0 | 0 | 0 |
| Research Expenses | 1,819 | 3,222 | +1,403 |
| Operating Expenses | 3,303 | 5,159 | +1,856 |
| EBIT | -5,122 | -8,381 | +3,259 |
| Interest and Taxes | 15 | 122 | -107 |
| Net Income | -5,107 | -8,259 | +3,152 |

MOMENTA PHARMACEUTICALS, INC. (cont.)

Summary Balance Sheet as of September 30, 2003: (\$000)

| | | | |
|----------------------|-----------------|----------------------------|-----------------|
| Cash | \$ 15,993 | A/P & Accrued Expenses | \$ 881 |
| Prepaid Expenses | 85 | Deferred Charges | 0 |
| Other Current Assets | <u>0</u> | Notes Payable | <u>326</u> |
| Total Current Assets | 16,078 | Total Current Liabilities | 1,207 |
| Net PP&E | 1,001 | Long Term Debt | 480 |
| Intangibles (net) | 0 | Shareholders Equity | 25,093 |
| Other Assets | <u>63</u> | Retained Earnings | <u>-9,638</u> |
| Total Assets | <u>\$17,142</u> | Total Liabilities & Equity | <u>\$17,142</u> |

Comments:

With the completion of the \$19 million financing in May, the company has sufficient capital to support operations for at least 2 years.

CHP II, L.P. Holdings:

| | |
|---|-----------------|
| Series AA Convertible Preferred Stock | 348,432 shares |
| Assigned Fair Value (348,432 shares x \$2.95) | \$1,027,875 |
| Investment Cost | \$1,000,000 |
| Cost per Share | \$2.87 |
| Series B Convertible Preferred Stock | 974,577 shares |
| Assigned Fair Value | Investment Cost |
| Investment Cost | \$2,875,002 |
| Cost per Share | \$2.95 |
| % Ownership (Full Dilution) | 9.9% |
| Company Valuation at CHP II Cost | \$39.1 million |
| Company Valuation at Assigned Fair Value | \$39.5 million |

Outlook:

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

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

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

Period Summary: 3rd Quarter 2003

Replication continues to perform well against its objectives. Manufacturing concerns that surfaced during the first quarter of 2003 were resolved, and the company is confident in its ability to provide a sufficient number of prototype implants for the first human trials in Europe. The trials, a 10 patient study in Germany headed by Dr. Rudi Bertagnoli, an internationally respected spine surgeon, have been delayed two months by bureaucratic hold-ups relating to European Ethical committee rulings. By quarters' end, however, these issues were resolved, and Replication's trial design package was approved.

Patient enrollment in Europe has begun, and trial timelines appear back on track. The company easily accommodated minor specification changes requested by the chief investigator. A second iteration of the implant delivery device was also completed; however, we expect considerable redesign of the device as experience grows during the human trial. U.S. based pre-clinical testing required prior to submission of an IDE application is also progressing on schedule, with the application slated to be filed in early 2004.

During the quarter, the company settled a legal suit filed against one of the founders of Replication by a former employer, claiming certain rights to his patents. While we strongly felt from the beginning that the claim had no merit, company counsel was able to get a complete release for what the board and the investors felt was a reasonable sum. The settlement was paid out this quarter and was the reason the company shows a negative variance to its operating expense budget for the quarter.

Industry interest in Replication remains high, and the company's two strategic investors, Johnson & Johnson and Synthes Stratec remain highly supportive and involved in the company. We remain very enthusiastic about the prospects for our investment.

REPLICATION MEDICAL (cont.)

FINANCIAL RESULTS: (\$000)

Overview: (FYE 12/31)

| | <i>2001 Actual</i> | <i>2002 Actual</i> | <i>2003 Budget</i> |
|--------------------|--------------------|--------------------|--------------------|
| Revenues | 0 | 0 | 0 |
| Research Expenses | 1,163 | 1,255 | 2,377 |
| Operating Expenses | 266 | 324 | 451 |
| EBIT | -1,429 | -1,579 | -2,828 |
| Interest and Taxes | 44 | 3 | 48 |
| Net Income | -1,385 | -1,576 | -2,780 |

Last Three Months: Quarter Ended September 30, 2003

| | <i>Actual</i> | <i>Budget</i> | <i>Variance</i> |
|--------------------|---------------|---------------|-----------------|
| Revenues | 0 | 0 | 0 |
| Research Expenses | 743 | 780 | +37 |
| Operating Expenses | 516 | 99 | -417 |
| EBIT | -1,259 | -879 | -380 |
| Interest and Taxes | 10 | 17 | -7 |
| Net Income | -1,249 | -862 | -387 |

Fiscal Year-to-Date: Nine Months Ended September 30, 2003

| | <i>Actual</i> | <i>Budget</i> | <i>Variance</i> |
|--------------------|---------------|---------------|-----------------|
| Revenues | 0 | 0 | 0 |
| Research Expenses | 1,603 | 1,672 | +69 |
| Operating Expenses | 833 | 353 | -480 |
| EBIT | -2,436 | -2,025 | -411 |
| Interest and Taxes | 24 | 38 | -14 |
| Net Income | -2,412 | -1,987 | -425 |

REPLICATION MEDICAL (cont.)

Summary Balance Sheet as of September 30, 2003: (\$000)

| | | | |
|----------------------|-----------------|----------------------------|-----------------|
| Cash | \$ 3,384 | A/P & Accrued Expenses | \$ 0 |
| Prepaid Expenses | 28 | Deferred Charges | 0 |
| Other Current Assets | <u>0</u> | Notes Payable | <u>0</u> |
| Total Current Assets | 3,412 | Total Current Liabilities | 0 |
| Net PP&E | 137 | Long Term Debt | 0 |
| Intangibles (net) | 0 | Shareholders Equity | 9,682 |
| Other Assets | <u>3</u> | Retained Earnings | <u>-6,130</u> |
| Total Assets | <u>\$ 3,552</u> | Total Liabilities & Equity | <u>\$ 3,552</u> |

Comments:

Given Replication's virtual operating model, current capital will likely last the company for two years.

CHP II, L.P. Holdings:

| | |
|--|------------------|
| Series B Convertible Preferred Stock | 2,614,516 shares |
| Assigned Fair Value | Investment Cost |
| Investment Cost | \$2,500,000 |
| Cost per Share | \$0.9562 |
| % Ownership (Full Dilution) | 20.3% |
| Company Valuation at CHP II Cost | \$12.3 million |
| Company Valuation at Assigned Fair Value | \$12.3 million |

Outlook:

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

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

Structure-Based Design of Anti-Infective Agents

Period Summary: 3rd Quarter 2003

The company continued its vigorous trek towards identification of a strong lead drug candidate with attributes acceptable as a product for treatment of community respiratory tract infections. Though a lead has not yet been identified, a series of promising compounds is advancing further along the preclinical development path with the scientific team learning more about the drug-like features or potential problems with each compound and narrowing the possible selections. Management remains optimistic that this series will produce a lead candidate(s) in the near term, keeping them on their clinical development plan for filing an IND in mid-2004.

The primary objective of the lead scientific program, code named RX-01, is to identify a high quality drug candidate that meets internal preclinical criteria and will provide clear value to a potential partner for the treatment of respiratory tract infections. To accomplish this, the company has parallel processed multiple internally developed compounds and investigate the possible in-licensing of externally developed compounds that meet their criteria. Management had anticipated beginning the scale-up of its manufacturing for RX-01 during the quarter, but that plan has been delayed until better preclinical results are obtained.

As the research program continues to progress, management is conducting a survey of clinicians and performing a competitive analysis in order to determine those characteristics that would be the most commercially important for RX-01. In this manner, management hopes to develop more efficient criteria for its scientific programs and enable more rapid development once a lead candidate is identified.

Financially, the company remains ahead of its spending plan, primarily due to lower personnel costs and the delay in scale-up for manufacturing in the RX-01 program. Management has done a fine job of managing spending while progressing its research and development program. With enough capital to operate for at least two years and likely through Phase II clinical trials for the company's lead compound, we are excited about the prospects for the company. A significant milestone in the coming year will be the establishment of a corporate alliance with a major pharmaceutical company.

RIB-X PHARMACEUTICALS, INC. (cont.)**FINANCIAL RESULTS: (\$000)**

Overview: (FYE 12/31)

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

Last Three Months: Quarter Ended September 30, 2003

| | <i>Actual</i> | <i>Budget</i> | <i>Variance</i> |
|--------------------|---------------|---------------|-----------------|
| Revenues | 0 | 0 | 0 |
| R&D Expenses | 2,110 | 2,340 | +230 |
| Operating Expenses | 651 | 750 | +99 |
| EBIT | -2,761 | -3,090 | +329 |
| Interest and Taxes | 92 | -7 | +99 |
| Net Income | -2,669 | -3,097 | +428 |

Fiscal Year-to-Date: Nine Months Ended September 30, 2003

| | <i>Actual</i> | <i>Budget</i> | <i>Variance</i> |
|--------------------|---------------|---------------|-----------------|
| Revenues | 0 | 0 | 0 |
| R&D Expenses | 6,236 | 6,951 | +715 |
| Operating Expenses | 1,721 | 1,750 | +29 |
| EBIT | -7,957 | -8,701 | +744 |
| Interest and Taxes | 64 | -160 | +224 |
| Net Income | -7,893 | -8,861 | +968 |

RIB-X PHARMACEUTICALS, INC. (cont.)

Summary Balance Sheet as of September 30, 2003: (\$000)

| | | | |
|----------------------|-----------------|----------------------------|-----------------|
| Cash | \$ 54,205 | Accounts Payable | \$ 593 |
| Accounts Receivable | 0 | Accrued Expenses | 0 |
| Other Current Assets | <u>228</u> | Notes Payable Current | <u>657</u> |
| Total Current Assets | 54,433 | Total Current Liabilities | 1,250 |
| Net PP&E | 6,137 | Notes Payable | 3,861 |
| Intangibles (net) | 0 | Shareholders Equity | 72,495 |
| Other Assets | <u>242</u> | Retained Earnings | <u>-16,794</u> |
| Total Assets | <u>\$60,812</u> | Total Liabilities & Equity | <u>\$60,812</u> |

Comments:

The company is ahead of its cash burn plan for the year, however, burn is accelerating to meet budget expectations and the company will likely be on plan by year-end. With the current cash balance, Rib-X has enough capital to operate for at least two years.

CHP II, L.P. Holdings:

| | |
|--|------------------|
| Series A Convertible Preferred Stock | 1,817,741 shares |
| Assigned Fair Value (cost) | \$1,125,000 |
| Investment Cost | \$1,125,000 |
| Cost per Share | \$0.6189 |
| Series B Convertible Preferred Stock | 4,645,339 shares |
| Assigned Fair Value (cost) | \$2,875,000 |
| Investment Cost | \$2,875,000 |
| Cost per Share | \$0.6189 |
| % Ownership (Full Dilution) | 4.9% |
| Company Valuation at CHP II Cost | \$80.0 million |
| Company Valuation at Assigned Fair Value | \$80.0 million |

Outlook:

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