

CHP II, L.P.
QUARTERLY REPORT
4th QUARTER, 2001

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TO: The Limited Partners

FROM: John K. Clarke

DATE: February 15, 2002

SUBJECT: Activity for the Quarter Ended December 31, 2001

On December 4th, we held the second annual meeting for CHP II in New York City. We are heartened by the level of participation from our limited partners and welcomed your input and counsel during the event.

During the quarter, CHP II completed one new investment in Rib-X Pharmaceuticals, a New Haven, CT based development stage drug discovery company. The financing totaled \$9.5 million, with CHP II contributing \$1.125 million. Following are short summaries of activity for the quarter in each of our portfolio companies.

AthenaHealth – Sales for the quarter were a record \$4 million, with the distribution partnership completed last quarter with Siemens already producing a \$1.5 million customer. Revenues were below plan as a result of lower sales for the first six months of the year. Implementation backlog has grown significantly with the higher sales volume and management is moving quickly to add capacity and increase the use of contractors. With a strong backlog and management keenly focused on sales and service quality, Athena is poised for a terrific year in 2002.

Intellicare America – Financial performance was ahead of plan for the quarter. Management has done a good job of controlling expenses and the company ended the year ahead of plan for net income and cash flow. The only disappointment in 2001 has been the rate of revenue growth. Intellicare ends the year with an annualized revenue run rate of \$6.4 million and a solid sales pipeline to support further growth. The company has initiated a \$7 million second round financing effort in January that has thus far been well received.

iPhysicianNet (IPNI) – Financial performance for the quarter showed significant improvement in cash burn. The new COO has reinvigorated new pharmaceutical client interest and is confident of having 12 clients signed by the end of Q1 2002. Management is working aggressively to promote its current clients to the full slate of physicians on the network, which will greatly enhance revenue. With this positive progress, at the end of the quarter, the investor syndicate proposed a \$10-12 million financing to close in Q1 2002.

Molecular Mining – Software sales have been slow to develop. New product releases in January 2002 are expected to improve sales of the lead product significantly in Q1 and Q2 of 2002. Meanwhile, expenses have been kept well under control until sales improve. Cash

flow is ahead of plan and the company has ample capital. Management and the investors are exploring strategic partnering with other bioinformatics companies as the market develops. Overall outlook remains promising.

ParkStone – The sale of ParkStone’s assets under Chapter 11 was completed during the quarter. CHP II received \$113,583 as the initial payout from the sale proceeds against our secured promissory note. However, total proceeds will be insufficient to cover the company’s creditors and we will receive no return for our equity investment.

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

Investment Activity:

Rib-X represents the sixth investment for CHP II. We contributed \$1.125 million to a \$9.5 million financing co-led by SR One and Oxford BioSciences. A full report on the company and our investment is included in this report.

Also during the quarter, CHP II received a payment of \$113,583 representing our prorated share of the initial proceeds from the sale of ParkStone’s assets to PacificCare.

Deal Flow:

In the third quarter, Cardinal has reviewed over 140 business proposals. Current “A” deals include BeyondNow Technologies, Capricorn Pharmaceuticals, Cardioclasp, CardioOptics, CareExpress, ESP Pharma, HealthWyse, IMedd, Nano-X Therapeutics, SeaCoast Technologies and Volcano Therapeutics.

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 one capital call for \$2.0 million. Utilization of these funds included the \$1.125 million investment in Rib-X and to pay fund operating expenses and fees. The cash balance at the end of the period was \$177,693. Partners’ Capital at the end of December stood at \$16,311,534 with cumulative capital contributions from inception totaling \$28,752,175.

Losses for the period ended December 31, 2001, totaled \$751k representing net operating expenses for the period.

Looking forward:

We continue to work diligently to build value in our portfolio and are pursuing new investment opportunities with intensified diligence and attention to fundamentals. We welcome your input and appreciate your support.

CHP II, L.P.
Income Statement
For the Period Ended December 31, 2001

	Three Months Ended 12/31/01	Twelve Months Ended 12/31/01
Revenue:		
Non Portfolio Income	\$2,020	\$23,958
Interest-Equivalent Amounts	0	17,603
Expenses:		
Management Fee	734,217	2,971,279
Professional Fees	3,164	36,661
NVCA Dues & Expenses	0	3,774
Amortization of Organization Costs	0	0
Annual Meeting & Miscellaneous	8,216	8,616
Total Expenses	745,597	3,020,330
Net Operating Expense	(743,577)	(2,978,769)
Investment Income	(6,904)	24,588
Net Income Before Gains (Losses)	(750,481)	(2,954,181)
Realized Gains (Losses)	(5,000,003)	(5,000,003)
Unrealized Gains (Losses)	4,999,003	(2,325,276)
Net Income (Loss)	(\$751,481)	(\$10,279,460)

CHP II, L.P.
Balance Sheet
As of December 31, 2001

ASSETS:	Period Ended 12/31/01	Period Ended 09/30/01
Cash and Short-Term Investments	\$419,280	\$177,693
Accrued Interest	10,447	17,351
Escrow for Investment	0	0
Venture Capital Investments	15,770,478	14,760,061
Organization Costs (Net of Accum. Amortization)	0	0
Other Assets	136,577	127,076
	<u>\$16,336,782</u>	<u>\$15,082,181</u>
 LIABILITIES & CAPITAL:		
Accrued Expenses and Payables	\$25,248	\$18,085
Investment due Portfolio Company	0	0
Partners' Accounts	16,311,534	15,064,096
Total Liabilities and Capital	<u>\$16,336,782</u>	<u>\$15,082,181</u>

CHP II, L.P.
Footnotes
As of December 31, 2001

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	12/31/01	09/30/01
	<u> </u>	<u> </u>
Organization Costs	\$183,232	\$183,232
Accumulated Amortization	(183,232)	(183,232)
Total	<u> \$0</u>	<u> \$0</u>

Note 3 – General Partner Promissory Notes	12/31/01	09/30/01
	<u> </u>	<u> </u>
GP Promissory Note Principal	\$136,577	\$127,076
Offset against Partners' Capital	0	0
Total	<u> \$136,577</u>	<u> \$127,076</u>

Note 4 – Accrued Expenses	12/31/01	09/30/01
	<u> </u>	<u> </u>
Professional Fees	\$17,032	\$13,868
NVCA Dues & Annual Meeting	8,216	0
Legal & Organizational Costs	0	4,217
Total	<u> \$25,248</u>	<u> \$18,085</u>

CHP II, L.P.
Statement of Cash Flows
For the Period Ended December 31, 2001

	Three Months Ended 12/31/01	Twelve Months Ended 12/31/01
Cash flows from operating activities		
Net Income Before Gains (Losses)	(\$750,481)	(\$2,954,181)
Adjustments to reconcile net income before gains (losses) to net cash used in operating activities:		
Accrued Interest Receivable	6,904	(8,410)
Accrued Organization Costs	0	0
Other Assets	0	0
Accrued Expenses & Payables	7,163	(74,287)
Net Cash used in Operating Activities	(736,414)	(3,036,878)
Cash flows from investing activities		
Purchases of venture capital investments	(1,125,000)	(5,209,336)
Sales of venture capital investments	113,582	113,582
Net cash used in investing activities	(1,011,418)	(5,095,754)
Cash flows from financing activities		
Cash contributions by partners	1,989,419	8,418,810
Cash distribution to partners	0	0
Net cash provided by financing activities	1,989,419	8,418,810
 Net Change in Cash and Short Term Investments	 241,587	 286,178
Cash and Short Term Investments, beginning	177,693	133,102
Cash and Short Term Investments, ending	\$419,280	\$419,280

CHP II, L.P.
Schedule of Venture Capital Investments
As of December 31, 2001

Company	Debt	Equity	Total Cost	Fair Value	Unrealized Gain (Loss)
AthenaHealth, Inc.	\$0	\$5,000,001	\$5,000,001	\$5,000,001	\$0
IntelliCare America, Inc.	0	3,000,000	3,000,000	3,000,000	0
iPhysician Net, Inc.	0	5,000,000	5,000,000	5,000,000	0
Molecular Mining Corp.	0	1,509,060	1,509,060	1,509,060	0
ParkStone Medical Systems	2,461,692	0	2,461,692	136,417	(2,325,275)
Rib-X Pharmaceuticals	0	1,125,000	1,125,000	1,125,000	0
Totals	\$2,461,692	\$15,634,061	\$18,095,753	\$15,770,478	(\$2,325,275)

CHP II, L.P.
Statement of Partners' Contributions Accounts
As of December 31, 2001

	Partners' Total Subscription	Contributions Account 09/30/01	Period Contribution in Cash	Period Contribution by Note	Contributions Account 12/31/01	Partners' Outstanding Subscription
<u>Limited Partners</u>						
State Teachers Ret. System of Ohio	\$30,000,000	\$6,832,087	\$510,748	\$0	\$7,342,835	\$22,657,165
Nassau Capital Funds	10,000,000	2,277,362	170,249	0	2,447,611	7,552,389
Robert Wood Johnson Foundation	10,000,000	2,277,362	170,249	0	2,447,611	7,552,389
Northwestern University	10,000,000	2,277,362	170,249	0	2,447,611	7,552,389
LACERA	10,000,000	2,277,362	170,249	0	2,447,611	7,552,389
Textron Master Trust	10,000,000	2,277,362	170,249	0	2,447,611	7,552,389
First Union Investors, Inc.	7,500,000	1,708,022	127,687	0	1,835,709	5,664,291
Pension Commissioners of City of LA	5,000,000	1,138,681	85,125	0	1,223,806	3,776,194
Princess Private Equity	5,000,000	1,138,681	85,125	0	1,223,806	3,776,194
Hillside Capital Incorporated	3,500,000	797,075	59,587	0	856,662	2,643,338
Hamilton Lane-Carpenters Fund	3,000,000	683,208	50,175	0	733,383	2,266,617
UNISYS Master Trust	3,000,000	683,208	51,075	0	734,283	2,265,717
Venture Investment Associates III, L.P.	2,300,000	523,792	39,158	0	562,950	1,737,050
Fleet Growth Resources (Summit)	2,000,000	455,474	34,050	0	489,524	1,510,476
S.R. One Limited	2,000,000	455,474	34,050	0	489,524	1,510,476
Pharma BioDevelopment, Inc.	2,000,000	455,474	34,050	0	489,524	1,510,476
Private Equity Holdings II, Ltd.	1,000,000	227,736	17,025	0	244,761	755,239
	\$116,300,000	\$26,485,722	\$1,979,100	\$0	\$28,464,822	\$87,835,178
<u>General Partner</u>						
CHP II Management, LLC.	1,174,747	267,533	10,319	0	287,353	887,394
Total Partnership	\$117,474,747	\$26,753,255	\$1,989,419	\$0	\$28,752,175	\$88,722,572

CHP II, L.P.
Statement of Partners' Distributive Share of Net Assets
For the Period Ended December 31, 2001

	Private Securities	Public Securities	Cash	Other Assets	Total Assets	Accrued Expenses	Net Assets 12/31/01
<u>Limited Partners</u>							
State Teachers Ret. System of Ohio	\$4,027,595	\$0	\$107,126	\$37,548	\$4,172,269	(\$6,450)	\$4,165,819
Nassau Capital Funds	1,342,533	0	35,707	12,516	1,390,756	(2,149)	1,388,607
Robert Wood Johnson Foundation	1,342,533	0	35,707	12,516	1,390,756	(2,149)	1,388,607
Northwestern University	1,342,533	0	35,707	12,516	1,390,756	(2,149)	1,388,607
LACERA	1,342,533	0	35,707	12,516	1,390,756	(2,149)	1,388,607
Textron Master Trust	1,342,533	0	35,707	12,516	1,390,756	(2,149)	1,388,607
First Union Investors, Inc.	1,006,898	0	26,782	9,387	1,043,067	(1,612)	1,041,455
Pension Commissioners of City of LA	671,265	0	17,854	6,258	695,377	(1,075)	694,302
Princess Private Equity	671,265	0	17,854	6,258	695,377	(1,075)	694,302
Hillside Capital Incorporated	469,883	0	12,498	4,381	486,762	(752)	486,010
Hamilton Lane-Carpenters Fund	401,888	0	10,688	3,747	416,323	(643)	415,680
UNISYS Master Trust	402,758	0	10,712	3,755	417,225	(645)	416,580
Venture Investment Associates III, L.P.	308,781	0	8,212	2,879	319,872	(494)	319,378
Fleet Growth Resources (Summit)	268,507	0	7,142	2,503	278,152	(430)	277,722
S.R. One Limited	268,507	0	7,142	2,503	278,152	(430)	277,722
Pharma BioDevelopment, Inc.	268,507	0	7,142	2,503	278,152	(430)	277,722
Private Equity Holdings II, Ltd.	134,254	0	3,570	1,252	139,076	(215)	138,861
	\$15,612,773	\$0	\$415,257	\$145,554	\$16,173,584	(\$24,996)	\$16,148,588
<u>General Partner</u>							
CHP II Management, LLC.	157,705	0	4,023	1,470	163,198	(252)	162,946
Total Partnership	\$15,770,478	\$0	\$419,280	\$147,024	\$16,336,782	(\$25,248)	\$16,311,534

CHP II, L.P.
Statement of Partners' Capital Accounts *
For the Period Ended December 31, 2001

	Partners' Capital 01/01/01	Net Capital Contributions	Non-Portfolio Income	Net Investment Income	Realized Gains (Losses)	Total Income	Unrealized Gains (Losses)	Distributions	Partners' Capital 12/31/01
<u>Limited Partners</u>									
State Teachers Ret. System of Ohio	\$4,711,467	\$2,069,803	\$10,561	(\$755,328)	(\$1,276,869)	(\$2,021,636)	(\$593,815)	\$0	\$4,165,819
Nassau Capital Funds	1,570,488	689,934	3,522	(251,775)	(425,624)	(673,877)	(197,938)	0	1,388,607
Robert Wood Johnson Foundation	1,570,488	689,934	3,522	(251,775)	(425,624)	(673,877)	(197,938)	0	1,388,607
Northwestern University	1,570,488	689,934	3,522	(251,775)	(425,624)	(673,877)	(197,938)	0	1,388,607
LACERA	1,570,488	689,934	3,522	(251,775)	(425,624)	(673,877)	(197,938)	0	1,388,607
Textron Master Trust	1,570,488	689,934	3,522	(251,775)	(425,624)	(673,877)	(197,938)	0	1,388,607
First Union Investors, Inc.	1,177,867	517,451	2,641	(188,832)	(319,218)	(505,409)	(148,454)	0	1,041,455
Pension Commissioners of City of LA	785,244	344,967	1,760	(125,888)	(212,812)	(336,940)	(98,969)	0	694,302
Princess Private Equity	785,244	344,967	1,760	(125,888)	(212,812)	(336,940)	(98,969)	0	694,302
Hillside Capital Incorporated	549,669	241,477	1,232	(88,122)	(148,968)	(235,858)	(69,278)	0	486,010
Hamilton Lane-Carpenters Fund	471,145	206,081	1,057	(75,534)	(127,687)	(202,164)	(59,382)	0	415,680
UNISYS Master Trust	471,145	206,981	1,057	(75,534)	(127,687)	(202,164)	(59,382)	0	416,580
Venture Investment Associates III	361,211	158,686	810	(57,910)	(97,893)	(154,993)	(45,526)	0	319,378
Fleet Growth Resources (Summit)	314,099	137,987	704	(50,355)	(85,125)	(134,776)	(39,588)	0	277,722
S.R. One Limited	314,099	137,987	704	(50,355)	(85,125)	(134,776)	(39,588)	0	277,722
Pharma BioDevelopment, Inc.	0	489,524	896	(87,985)	(85,125)	(172,214)	(39,588)	0	277,722
Private Equity Holdings II, Ltd.	157,049	68,993	353	(25,178)	(42,562)	(67,387)	(19,794)	0	138,861
	\$17,950,679	\$8,374,574	\$41,145	(\$2,965,784)	(\$4,950,003)	(\$7,874,642)	(\$2,302,023)	\$0	\$16,148,588
<u>General Partner</u>									
CHP II Management, LLC.	84,928	44,236	416	(29,958)	(50,000)	(79,542)	(23,253)	0	26,369
Total Partnership	\$18,035,607	\$8,418,810	\$41,561	(\$2,995,742)	(\$5,000,003)	(\$7,954,184)	(\$2,325,276)	\$0	\$16,174,957

* - 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 December 31, 2001

	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	\$7,342,835	\$13,445	(\$1,319,777)	(\$1,276,869)	(\$2,583,201)	(\$593,815)	\$0	\$4,165,819
Nassau Capital Funds	2,447,611	4,483	(439,925)	(425,624)	(861,066)	(197,938)	0	1,388,607
Robert Wood Johnson Foundation	2,447,611	4,483	(439,925)	(425,624)	(861,066)	(197,938)	0	1,388,607
Northwestern University	2,447,611	4,483	(439,925)	(425,624)	(861,066)	(197,938)	0	1,388,607
LACERA	2,447,611	4,483	(439,925)	(425,624)	(861,066)	(197,938)	0	1,388,607
Textron Master Trust	2,447,611	4,483	(439,925)	(425,624)	(861,066)	(197,938)	0	1,388,607
First Union Investors, Inc.	1,835,709	3,362	(329,944)	(319,218)	(645,800)	(148,454)	0	1,041,455
Pension Commissioners of City of LA	1,223,806	2,240	(219,963)	(212,812)	(430,535)	(98,969)	0	694,302
Princess Private Equity	1,223,806	2,240	(219,963)	(212,812)	(430,535)	(98,969)	0	694,302
Hillside Capital Incorporated	856,662	1,568	(153,974)	(148,968)	(301,374)	(69,278)	0	486,010
Hamilton Lane-Carpenters Fund	733,383	1,345	(131,979)	(127,687)	(258,321)	(59,382)	0	415,680
UNISYS Master Trust	734,283	1,345	(131,979)	(127,687)	(258,321)	(59,382)	0	416,580
Venture Investment Associates III	562,950	1,031	(101,184)	(97,893)	(198,046)	(45,526)	0	319,378
Fleet Growth Resources (Summit)	489,524	896	(87,985)	(85,125)	(172,214)	(39,588)	0	277,722
S.R. One Limited	489,524	896	(87,985)	(85,125)	(172,214)	(39,588)	0	277,722
Pharma BioDevelopment, Inc.	489,524	896	(87,985)	(85,125)	(172,214)	(39,588)	0	277,722
Private Equity Holdings II, Ltd.	244,761	449	(43,993)	(42,562)	(86,106)	(19,794)	0	138,861
	\$28,464,822	\$52,128	(\$5,116,336)	(\$4,950,003)	(\$10,014,211)	(\$2,302,023)	\$0	\$16,148,588
<u>General Partner</u>								
CHP II Management, LLC.	287,353	527	(51,681)	(50,000)	(101,154)	(23,253)	0	162,946
Total Partnership	\$28,752,175	\$52,655	(\$5,168,017)	(\$5,000,003)	(\$10,115,365)	(\$2,325,276)	\$0	\$16,311,534

TO: The Limited Partners

FROM: John J. Park

DATE: January 29, 2002

SUBJECT: Portfolio Valuations for December 31, 2001

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 and approved by the Advisory Committee for the Partnership, for those investments not valued at cost, as of December 31, 2001.

PARKSTONE MEDICAL – In August 2001, ParkStone filed for protection under Chapter 11 of the US Bankruptcy Code. In October 2001, CHP II received a distribution of \$113,583 representing our pro-rata share of the initial distribution of proceeds from the sale of ParkStone's assets. As a result, we reduced the carrying value for our secured notes to \$136,417 (\$250,000 - \$113,583), and reduced the cost basis for the notes by \$113,583. In addition, company counsel has informed us that our equity investment is worthless and we have written its value from \$1,000 to \$0, recorded a realized loss for \$5,000,003, reduced the cost basis for the ParkStone investment by \$5,000,003 and reversed the previously unrealized loss of \$4,999,003. The ParkStone investment is now valued at \$136,417, resulting in an unrealized loss of \$2,325,275 on our cost basis of \$2,461,692 as of December 31, 2001. This valuation represents a decrease of \$114,583 from our carrying value as of September 30, 2001.

Value Computation:

10% Secured Convertible Demand Note	
\$2,575,275 Face Value	<u>136,417</u>
Total Value	<u>\$136,417</u>

CHP II, L.P.
Portfolio Valuation Summary
For the Quarter ended December 31, 2001

<u>Portfolio Company</u>	<u>Investment</u>	<u>Fair Value 12/31/01</u>	<u>Fair Value 09/30/01</u>	<u>Change from Prior Quarter</u>	<u>Reason for Change</u>
AthenaHealth, Inc.	\$5,000,001	\$5,000,001	\$5,000,001	\$0	
Intellicare America, Inc.	3,000,000	3,000,000	3,000,000	0	
IPhysicianNet, Inc.	5,000,000	5,000,000	5,000,000	0	
Molecular Mining Corporation	1,509,060	1,509,060	1,509,060	0	
ParkStone Medical Information Systems.	2,461,692	136,417	251,000	(114,583)	Partial distribution of Sale Proceeds, Write –off of Equity. (note 1)
Rib-X Pharmaceuticals	1,125,000	1,125,000	0	1,125,000	New Investment. (note 2)
Total Portfolio	\$18,095,753	\$15,770,478	\$14,760,061	\$1,010,417	

- 1) During the quarter, CHP II received a distribution of \$113,583 from the bankruptcy sale proceeds received for ParkStone. As a result, we have reduced the carrying value for our secured notes from \$250,000 to \$136,417. Additional funds totaling approximately \$975k are expected to be distributed to the secured creditors at the end of Q1 2002. CHP II will receive 31% of any distribution. As it is now clear that there will be no return to the equity investors of ParkStone and we have therefore written off our equity value of \$1,000 and realized a loss of \$5,000,003 on the equity portion of the investment.
- 2) On December 6, 2001, CHP II contributed \$1.125 million to an \$8.3 million first round financing for Rib-X Pharmaceuticals. The financing was co- led by Oxford Biosciences and Euclid SR One. The pre-money value for the financing was \$6.5 million.

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

Web-Based Business Services for Medical Groups

Period Summary: 4th Quarter 2001

Despite the fact that Athena did not achieve its ambitious plan for 2001, the year was one of steady and significant progress. Q4 2001 sales were a record \$4 million, with partner-sourced deals remaining the largest lead channel. The distribution partnership completed last quarter with Siemens Medical Solutions has already produced a \$1.5 million customer that closed in December. Margins continue to improve, albeit slowly, as better-priced accounts/renewals are implemented. A program of price increases (or terminations) for unprofitable accounts will be completed by the end of Q1 2002.

Results for the quarter show revenues (which typically lag sales by as much as three months) of \$1.4 million, well below plan revenues of \$4.7 million. The revenue variance results from lower than expected sales in the first half of the year, combined with longer customer implementation cycles. Operating Expenses are lower than plan primarily from lower headcount. The 2002 budget shows slower revenue growth for the first quarter as the implementation team is built to meet demand. Management now expects the company to be breakeven by November 2002, with a cash balance at the time of \$11.7 million.

Service performance issues with the company's lead product AthenaCollector™ are being addressed with the introduction of electronic claims submission at two large-volume payors, aggressively pursuing the rollout of a new vendor for outsourced payment posting and the set-up of an in-house posting operation to handle clients with aggressive posting requirements and to manage peak posting volumes. The aim is to reduce the days outstanding (DSO) from the current 51 to the company's longstanding goal of 40. Management expects that actions already taken will decrease the DSO to the mid-40s by the end of January 2002.

The implementation backlog remains a concern and has increased significantly as a result of the higher sales volume. The high proportion of new deals in new markets and/or large complex clients has led to an increase in implementation cycle time, which has detrimentally affected revenues. To address this, capacity will be added in implementation and market set-up functions and the use of independent contractors will increase until the backlog falls to more desired levels.

With the current backlog and sales pipeline, the company looks on track to meet its Q1 forecast. With management keenly focused on sales, shortening the implementation cycle and improving the service performance for its customers, Athena is poised for a breakout year in 2002.

ATHENAHEALTH, INC (cont.)

FINANCIAL RESULTS: (\$000)

Overview: (FYE 12/31)

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

* Subject to Audit

Last Three Months: Quarter Ended December 31, 2001

	<i>Actual</i>	<i>Budget**</i>	<i>Variance</i>
Revenues	1,374	4,096	-2,722
Cost of Sales	1,840	2,551	+711
SG&A	2,955	3,074	+119
EBIT	-3,421	-1,529	-1,892
Interest and Taxes	79	207	-128
Net Income	-3,342	-1,322	-2,020

Fiscal Year-to-Date: Twelve Months Ended December 31, 2001

	<i>Actual</i>	<i>Budget**</i>	<i>Variance</i>
Revenues	3,819	8,168	-4,349
Cost of Sales	6,480	7,758	+1,278
SG&A	10,914	11,382	+468
EBIT	-13,575	-10,972	-2,603
Interest and Taxes	844	993	-149
Net Income	-12,731	-9,979	-2,752

** Revised Budget Approved – January 2001

ATHENAHEALTH, INC. (cont.)

Summary Balance Sheet as of December 31, 2001: (\$000)

Cash	\$ 17,013	Accounts Payable	\$ 426
Accounts Receivable	717	Accrued Expenses	1,262
Other Current Assets	<u>563</u>	Other Current Liabilities	<u>273</u>
Total Current Assets	18,293	Total Current Liabilities	1,961
Net PP&E	3,122	Long Term Debt - Lease line	3,383
Intangibles (Net)	0	Shareholders Equity	43,326
Other Assets	<u>1,558</u>	Retained Earnings	<u>-25,697</u>
Total Assets	<u>\$22,973</u>	Total Liabilities & Equity	<u>\$22,973</u>

Comments:

The company has more than adequate capital to support operations at the current burn for two years. Cash flow for the quarter was on plan, but ends the year almost 20% behind plan. In December, the debt facility was extended with GATX, adding \$2.5 million in capacity. Management expects to be cash flow breakeven by November 2002, with a remaining cash balance of \$11 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.

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

Integrated Telecommunications, Web and Data Networks for Patient Management

Period Summary: 4th Quarter 2001

Financial performance for 2001 has been positive, if somewhat disappointing in terms of revenue growth. Cash flow and net income were on budget for the year. Annual revenue run rate is currently \$6.4 million, with over \$2 million of annualized new services and technology business sold in the last six months. Management has built a solid sales pipeline in the hospital/health system market and expects to be cash flow breakeven by the end of 2002.

Financial performance for the last six months of 2001 has been improving. Variances from the budget revised in July are all positive. Revenues for the year grew by 44% over 2000. The only disappointment has been the slow sales growth as compared to expectations at the beginning of the year. Management has done a good job keeping costs in line with revenue growth and the company has ended the year ahead of plan in terms of cash flow.

During the quarter, IntelliCare launched a new 24-hour medical call center in Dallas that will initially serve 31 hospitals, health systems and health plans in the Southwest. The center has the capability to support patient and physician contact via e-mail, Internet, fax or telephone. This marks the fifth regional call center in IntelliCare's expanding national network.

The 2002 budget shows revenues reaching almost \$10 million for the year, an 81% growth over 2001. The forecast does not include any heroic assumptions, but management must improve on its current sales closing ratio to meet expectations. The company will require additional financing in 2002, with management initiating a \$7 million fund raising effort in January. The financing has been well received with multiple firms in various stages of due diligence. The current investors have agreed to bridge the company up to \$2 million in the form of a convertible promissory note until the financing is complete.

INTELLICARE AMERICA (cont.)

FINANCIAL RESULTS: (\$000)

Overview: (FYE 12/31)

	<i>2000 Actual</i>	<i>2001 Preliminary*</i>	<i>2002 Budget</i>
Revenues	3,807	5,483	9,967
Operating Expenses	4,923	6,591	8,365
SG&A	1,393	3,046	4,785
EBIT	-2,509	-4,154	-3,183
Interest and Taxes	23	-30	-50
Net Income	-2,486	-4,184	-3,233

* Subject to Audit

Last Three Months: Quarter Ended December 31, 2001

	<i>Actual</i>	<i>Budget**</i>	<i>Variance</i>
Revenues	1,653	1,655	-2
Cost of Sales	1,793	1,942	+149
SG&A	869	946	+77
EBIT	-1,009	-1,233	+224
Interest and Taxes	-8	-20	+12
Net Income	-1,017	-1,253	+236

Fiscal Year-to-Date: Twelve Months Ended December 31, 2001

	<i>Actual</i>	<i>Budget**</i>	<i>Variance</i>
Revenues	5,483	5,471	+12
Cost of Sales	6,591	6,825	+234
SG&A	3,046	3,155	+109
EBIT	-4,154	-4,509	+355
Interest and Taxes	-30	-29	-1
Net Income	-4,184	-4,538	+354

** Revised Budget – July 2001

INTELLICARE AMERICA (cont.)

Summary Balance Sheet as of December 31, 2001: (\$000)

Cash	\$ 739	Accounts Payable	\$ 967
Accounts Receivable	883	Accrued Expenses	272
Other Current Assets	<u>152</u>	Other Current Liabilities	<u>228</u>
Total Current Assets	1,774	Total Current Liabilities	1,467
Net PP&E	1,037	Long Term Liabilities	1,078
Intangibles (Net)	0	Shareholders Equity	8,697
Other Assets	<u>163</u>	Retained Earnings	<u>-8,268</u>
Total Assets	<u>\$ 2,974</u>	Total Liabilities & Equity	<u>\$ 2,974</u>

Comments:

Management has been ahead of its cash flow forecast for the last six months. The current investors are funding operations through a \$2 million convertible bridge note facility as the company embarks on an \$8 million fundraising effort. Interest has been relatively strong to-date with multiple firms in due diligence.

CHP II, L.P. Holdings:

Series B Convertible Preferred Stock	3,000,000 shares
Assigned Fair Value	\$3,000,000
Investment Cost	\$3,000,000
Cost per Share	\$1.00
% Ownership (Full Dilution)	17.2%
Company Valuation at Cardinal Cost	\$17.4 million
Company Valuation at Assigned Fair Value	\$17.4 million

Outlook:

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: 4th Quarter 2001

The overall company outlook for iPhysicianNet (IPNI) remains positive. The company's financial performance is improving and the newly appointed President and COO, Myron Holubiak, has put a plan in place to address the significant revenue shortfall experienced over the last quarter. Holubiak has reinvigorated pharmaceutical client interest and management is confident of having 12 clients under contract by the end of Q1 2002. Monthly cash burn continues to decline and is now under \$1.25 million, a 50% decrease from the first half of the year. Management aims for further margin improvement from a renegotiation of the revenue sharing agreement with hardware supplier Hitachi.

Revenues for the fourth quarter were \$3.1 million, or 40% of plan. This variance is attributable to two less clients on the system than forecast and fewer clients advanced to Phase II where they accept all of the physicians on the system. Cost of Sales was 44% under budget, with this positive variance primarily attributable to the lower number of physicians installed on the system. Operating expenses are well under forecast as a result of management actions to stem cash burn including lower headcount, salary reductions and reductions in marketing expenditures.

At the end of the quarter, the current investors proposed a \$10-12 million financing with 2 for 1 warrant coverage, a significant salary reduction for senior management and a management oversight committee. This financing along additional cost reductions and a renegotiation with Hitachi should supply the company with enough capital to operate well into 2003. We have agreed to participate to our pro rata allocation of this financing.

Per the terms of the Series E Preferred, at December 31, 2001, the conversion price for our shares was adjusted from \$4.00 to \$1.00, effectively reducing our cost per share to \$1.00 and increasing our fully diluted ownership position from 4.4% to 6.7%.

At year-end, IPNI had 6,782 installed physicians, with an additional 2,500 under contract. Management has been concentrating on weeding out the "dead wood" while adding physicians that cross-reference on multiple client lists. The primary goals for 2002 are to increase the number of physicians per client in concert with improving the quantity and quality of the physician base to drive client retention. With a clear leadership position in the primary care market, management and the investors are working diligently to ensure that in 2003 the company begins to realize on its potential.

iPHYSICIANNET (cont.)

FINANCIAL RESULTS: (\$000)

Overview: (FYE 12/31)

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

* Estimate as of January 31, 2002

Last Three Months: Quarter Ended December 31, 2001

	<i>Estimate *</i>	<i>Budget **</i>	<i>Variance</i>
Revenues	3,131	8,115	-4,984
Cost of Sales	6,244	11,190	+4,946
SG&A	1,977	2,506	+529
EBIT	-5,090	-5,581	+491
Interest and Taxes	-21	-23	+2
Net Income	-5,111	-5,604	+493

Fiscal Year-to-Date: Twelve Months Ended December 31, 2001

	<i>Estimate *</i>	<i>Budget **</i>	<i>Variance</i>
Revenues	10,276	16,535	-6,259
Cost of Sales	30,838	37,775	+6,937
SG&A	9,236	9,869	+633
EBIT	-29,798	-31,109	+1,311
Interest and Taxes	363	335	+28
Net Income	-29,435	-30,774	+1,339

** Revised Budget – June 2001

iPHYSICIANNET (cont.)

Summary Balance Sheet as of December 31, 2001: (\$000)

Cash	\$ 801	Accounts Payable	\$ 4,737
Accounts Receivable	2,121	Accrued Expenses	1,583
Other Current Assets	<u>614</u>	Deferred Revenue	<u>4,391</u>
Total Current Assets	3,536	Total Current Liabilities	10,711
Net PP&E	4,398	Long Term Debt	3,056
Intangibles (Net)	24	Shareholders Equity	68,328
Other Assets	<u>1,200</u>	Retained Earnings	<u>-72,937</u>
Total Assets	<u>\$ 9,158</u>	Total Liabilities & Equity	<u>\$ 9,158</u>

Comments:

Although solid progress has been made over the last quarter, iPhysicianNet continues to have a relatively high monthly cash burn in excess of \$1 million. The current investors have agreed to a \$10-12 million financing to close in early February 2002. As part of the financing, management has agreed to a 20-30% salary reduction and a management oversight committee. In addition, the company has commitments from two of its clients to provide long-term product development loans totaling \$6 million. This additional capital will provide the company with enough operating capital for 18 months.

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

% Ownership (Full Dilution) 6.7%

Company Valuation at Cardinal Cost	\$74.6 million
Company Valuation at Assigned Fair Value	\$74.6 million

Outlook:

Notwithstanding the current revenue shortfalls and implementation issues, we remain guardedly optimistic about the prospects for iPhysicianNet.

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

Software Tools for Genomics Research

Period Summary: 4th Quarter 2001

Financial results for the 2001 show the company slowly moving into its commercialization phase. Software sales are well behind plan for the year; however monthly product sales are improving as the company continues to build its sales team. Distributor and OEM relationships have also been slow to develop. The company plans new product releases for January 2002 with improved commercial functionality and management expects sales of its lead product GeneLinkerGold™ to increase significantly in Q1 and Q2 2002.

Revenue generating collaborations have also lagged plan due to longer than anticipated sales cycles. Momentum has picked up at the end of the quarter with several formal proposals and work plans are under discussion or negotiation. Management has reformulated its collaborative offering and business development process around program areas in an effort to reduce the sales cycle and improve close ratios.

The company continues to build its senior management team with current recruiting efforts for a Director of Software Development and VP of Business Development. In the meantime, management has done a good job keeping expenses in line while developing its sales channels. Expenses are lower than plan primarily from lower headcount and reduced consulting expenses. Financial performance for the year was ahead of plan in terms for net income and cash flow.

The FY 2002 financial plan shows revenues growing to \$2.6 million next year, with software sales representing 60% of the total. We are cautiously optimistic that the current management team can attain this goal. Along with our co-investors, we will be monitoring sales closely for the first six months of the year. Additionally, we are exploring strategic partnerships with other bioinformatics companies in order to attain a greater breadth of market reach for Molecular Mining's products.

MOLECULAR MINING CORPORATION (cont.)

FINANCIAL RESULTS: (\$000)

Overview: (FYE 12/31)

	<i>2000 Actual</i>	<i>2001 Preliminary</i>	<i>2002 Budget</i>
Revenues	39	146	2,655
Cost of Sales	0	0	0
Operating Expenses	1,516	2,862	5,814
EBIT	-1,477	-2,716	-3,159
Interest and Taxes	93	141	126
Net Income	-1,384	-2,575	-3,033

Last Three Months: Quarter Ended December 31, 2001

	<i>Actual</i>	<i>Budget*</i>	<i>Variance</i>
Revenues	22	389	-367
Cost of Sales	0	0	0
Operating Expenses	951	850	-101
EBIT	-929	-461	-468
Interest and Taxes	33	61	-28
Net Income	-896	-400	-496

Fiscal Year-to-Date: Twelve Months Ended December 31, 2001

	<i>Actual</i>	<i>Budget*</i>	<i>Variance</i>
Revenues	146	600	-454
Cost of Sales	0	0	0
Operating Expenses	2,862	3,096	+234
EBIT	-2,716	-2,496	-220
Interest and Taxes	141	185	-44
Net Income	-2,575	-2,311	-264

* Revised Forecast – May 2001

MOLECULAR MINING CORPORATION (cont.)

Summary Balance Sheet as of December 31, 2001: (\$000)

Cash	\$ 5,334	Accounts Payable	\$ 46
Accounts Receivable	169	Accrued Expenses	76
Prepaid Expenses	<u>20</u>	Notes Payable	<u>0</u>
Total Current Assets	5,523	Total Current Liabilities	122
Net PP&E	228	Long Term Debt	0
Intangibles (net)	189	Shareholders Equity	10,436
Other Assets	<u>0</u>	Retained Earnings	<u>-4,618</u>
Total Assets	<u>\$ 5,940</u>	Total Liabilities & Equity	<u>\$ 5,940</u>

Comments:

Cash burn has remained low as the company slowly builds its infrastructure. With the financing closed in May, Molecular Mining has adequate capital to support operations for another 18 months.

CHP II Holdings:

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

Outlook:

We are optimistic about the prospects for Molecular Mining.

PARKSTONE MEDICAL INFORMATION SYSTEMS, INC.

Weston, FL

{www.parkstonemed.com}

Handheld Formulary, Referral and Billing Management Tool for Physicians

Period Summary: 4th Quarter 2001

In October, the sale of ParkStone's assets to the RX-Connect subsidiary of PacificCare Health Systems was completed as part of the Chapter 11 bankruptcy proceeding. A total of \$1.5 million in cash was received from the sale of the assets. After covering legal expenses and other liabilities, there remains \$1.36 million for distribution to the secured creditors. In late October, the Court allowed a distribution of \$360K to the secured creditors, of which CHP II received \$113,583. Accordingly, we have reduced the carrying value of our investment by the amount received from \$250,000 to \$136,417 and reduced the cost basis for our secured note by the same amount.

At the time of the Chapter 11 filing, the company had secured debt outstanding totaling \$8.75 million. The Court will hold the remaining funds in escrow until all claims by the unsecured creditors are adjudicated. Our counsel expects this to take about 3 months with a second distribution of approximately \$975K to occur at the end of Q1 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 will prosecute preference actions against certain of the company's vendors that could produce additional cash to distribute to the secured creditors. However, the likelihood of a recovery substantial enough to provide any return to the equity holders is highly unlikely. Therefore, during the quarter we have written-off the equity portion of our investment resulting in a realized loss of \$5,000,003 and the reversal of the previously unrealized loss of \$4,999,003.

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%

TO: The Limited Partners

FROM: The General Partner

DATE: December 6, 2001

SUBJECT: Investment in Rib-X Pharmaceuticals, Inc.

On December 6, 2001, CHP II, L.P. ("CHP II") invested \$1.125 million as part of a \$9.5 million first round financing of Rib-X Pharmaceuticals, Inc. ("Rib-X"). The financing was co-led by CHP II Limited Partner SR One Ltd./Eculid SR Partners and Oxford BioScience Partners. Other investors included ABS Ventures, Axiom Ventures, Connecticut Innovations and Zero Stage Capital. John Clarke will represent CHP II as an observer on the Rib-X Board of Directors. Rib-X is a small molecule drug discovery company focused on the structure-based design of anti-infective agents. Rib-X's goal over the next two years is to bring a novel class of antibiotics with a new chemical structure into the clinic to be partnered for commercialization.

The pre-money valuation of the financing was \$6 million. Post-financing, CHP II owns 7.07% of the company on a fully diluted basis. The investors have committed to invest another \$12.5 million in a second closing on the earlier of December 2002 or the signing of a \$6 million licensing or development agreement between Rib-X and a major corporate partner. Our portion of the second close is \$1.875 million. The second tranche of the financing has a built in price increase of 20% if the company is successful in completing the \$6 million corporate partnership. The combined financings will support research and development efforts and provide operating capital through the year 2003.

History:

Rib-X was founded in July of 2000 based on the work of Thomas Steitz and Peter Moore in X-ray crystallography at Yale University. Drs. Steitz and Moore are the first to obtain information at the atomic level and perform analysis on how antibiotics bind to the ribosome by creating a crystallography image of its relatively complex chemical structure. The company will also use computational analysis licensed from fellow founder William Jorgenson, also of Yale.

The founders recruited Susan Froshauer as President and CEO in October 2000 after she served a stint at Pfizer where she headed the team that put together the pharmaceutical company's so-called "Big Four", a suite of four globally integrated technology collaborations.

The company has been funded to date by the founders using a \$1.85 million loan that was converted into equity as part of the initial close of the financing. The company is located in New Haven, CT and its website can be found at www.rib-x.com

RIB-X PHARMACEUTICALS (cont.)

Market Opportunity:

Worldwide antibiotic sales, excluding generics, for the year 2000 were \$18 billion.¹ Sales are expected to grow at a compound annual growth rate of 6% through 2004 to a total of \$22 billion. The increase in antibiotic resistance and the difficulty in identifying new antibiotics are well documented. The size of the marketplace and low representation of new classes of antibiotics currently in clinical trials underscores the value of identifying new agents.

Proprietary Technology:

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

The company believes that the Rib-X technology will offer a competitive advantage because many classical antibiotics work by inhibiting the function of the ribosome. Pfizer's \$1 billion a year block buster antibiotic, Zithromax, is a well-know example. Until the completion of the research endeavor of Drs. Steitz and Moore, the modes of action of these antibiotics have not been understood in chemical terms.

Since the ribosome performs essential protein synthesis, it is the focus of many of the most successful antibiotics. By studying the direct chemical structure of compounds that act upon it, Rib-X expects to create products that work in similar ways to existing products, which may be essentially important in replacing antibiotics that have become ineffective due to growing resistance.

The company has an exclusive license from Yale to the predominant patent position on use and methods of exploitation of the 50S structure in drug design. The company also has proprietary chemistry from antibiotic binding data, including novel biochemical assays from the work performed by the founders at Yale and proprietary computational chemistry software developed by Dr. Jorgensen.

The company believes that their technology will enhance the safety and efficacy of their drug targets while accelerating the discovery process thereby reducing the cost of drug development. During the first two years, the research goal will be to use the 50S sub-unit structural data to design a proprietary class of antibacterial agent that has broad-spectrum activity against antibiotic-resistant microorganisms.

¹ Source: Merrill Lynch

RIB-X PHARMACEUTICALS (cont.)

Competition:

The competition in antibiotic drugs is significant and ranges from most of the top ten global pharmaceutical firms to younger, smaller biotech companies such as Cubist Pharmaceuticals and Microcide. The predominant research trends in the large pharmaceutical companies has, until recently, been modifications or analogs to existing drugs as extensions of and protection for their existing antibiotic franchises. With the significant rise in antibiotic resistant microbes over the last ten years, these efforts have shifted in a number of cases to focus on discovery and development of new classes of antibiotics and new mechanisms of action that would address the “resistance” challenges.

A number of biotech firms have been formed over the last five years also predicated on the discovery and development of novel mechanisms and novel therapeutics. With a therapeutic market approaching \$22 billion annually and an accelerating rate of increased resistance to current drugs, there is an obvious need for many new drugs leading to an opportunity for many new companies. The significant differentiator for Rib-X in the upcoming new generation antibiotic business lies in its proprietary structure based approach and the proprietary platform that the founding scientists have created and continue to develop.

More than 50% of the antibiotic drugs on the market today exert their therapeutic effect by some form of interaction or interruption of the ribosome in target cells. The scientific founders of Rib-X have discovered and patented the detailed (to the 2 Å level) structure of the ribosome and the detailed structure of the ribosome bound with a variety of antibiotics. This proprietary atomic level understanding provides the company with a dramatic technical advantage in developing novel analogs of existing drugs, novel compounds that target existing mechanisms of action and novel compounds that address novel mechanisms of action (targets). Interest from large pharmaceutical partners on all three aspects of the technology application is high.

Management:

The following is a short biography for each member of the start-up management team at Rib-X. The company has already targeted the addition of several highly qualified scientists that will join the company in the first quarter of 2002. Current priorities include recruitment of a VP of Chemistry and a Director of Preclinical Pharmacology.

Susan Froshauer, Ph.D., President and CEO - Dr. Froshauer obtained her Ph.D. from Harvard in Microbiology and Molecular Genetics in 1985 and then preformed three years of post-doctoral research in the Cell Biology Department at Yale. She joined Pfizer in 1988 where she spent five years managing an antibacterial and immune enhancer drug discovery group and six years building a technology investment portfolio as part of the

RIB-X PHARMACEUTICALS (cont.)

Strategic Alliance Group. At Pfizer, notable accomplishments include “The Big Four”, a suite of four globally integrated technology collaborations and expansion of The Drug Pfunder Program. In 2000, she received the Pfizer Central Research Award in recognition of The Big Four investments.

Joyce Sutcliffe, Ph.D., Vice-President Molecular Biology and Biochemistry - After sixteen years of drug discovery research in the antibacterial area at both Pfizer and Abbott, Dr. Sutcliffe joins Rib-X. She will lead Rib-X biochemistry research programs, assuring our therapeutic objectives target medical needs. Among her many roles at Pfizer, she has designed numerous approaches to identify new classes of antibiotics and she has also designed numerous approaches to identify new classes of antibiotics and she has also written several NDAs for recent clinical candidates. Dr. Sutcliffe has invaluable knowledge of the genetics and biochemistry of the protein synthesis apparatus and methods of its exploitation to identify antibiotics. She comes to Rib-X from years of experience, specifically in macrolide programs, which target the 50S ribosome and she has a profound understanding of bacterial resistance mechanisms and the bacterial membrane. Dr. Sutcliffe is widely published and as a leader in her field, often participates in the global infectious disease arena.

Jeff Powell, Ph.D., Executive Director R & D Operations & Preclinical Development – After ten years of research, business development and management experience in the biotech arena, first at Sugen, then at Curagen, Dr. Powell joins Rib-X in the role of Senior Director, Pre-Clinical Operations. Until our first round of financing, Jeff will function as a consultant, working with the start-up team to build an operational laboratory, properly equipped and staffed to meet our early research objectives. Dr. Powell received his Ph.D. from the University of Alabama at Birmingham in the Department of Microbiology, in the area of immunology. Because of his drug discovery experience, Dr. Powell is well suited to the role of overseeing the establishment of our preclinical program for screening of drug candidates, including design of cell-based mammalian assays and animal models.

Tom Klein, Chief Financial Officer - Mr. Klein earned his MBA from Columbia University and joins Rib-X as head of Finance and Administration, initially as a consultant. After many years experience in domestic and international finance in management positions, such as Director of Finance and Treasurer of Nova Nordisk of North America, Tom functioned as Vice President and CFO at a start-up biotech, VION where he was responsible for build-up of its infrastructure including, establishing accounting systems, submitting SEC filings and executing private placements.

Harry H. Penner, LLD, Chairman of the Board and Business Advisor – Currently, Mr. Penner is President, CEO and Vice Chairman of Neurogen Corporation. Under his leadership, Neurogen has become a broadly based and well-financed company in the

RIB-X PHARMACEUTICALS (cont.)

biotechnology sector. He also serves on the Boards of Packard, Genaissance Pharmaceuticals and Avant Immunotherapeutics. He has 23 years of experience in the pharmaceutical industry, including as Executive Vice President of Novo Nordisk. Recently, Mr. Penner has retired from Neurogen to continue his role at Rib-X and at promoting the build-up of biotechnology in Connecticut.

Scientific Founders:

Thomas A. Steitz, Ph.D. – Dr. Steitz is Sterling Professor of Molecular Biophysics and Biochemistry and a Howard Hughes Medical Institute Investigator at Yale University. He was elected to the National Academy of Sciences in 1990. His research in the field of protein and nucleic acid x-ray crystallography, including his recent work with Dr. Moore on the 50S ribosome structure has wide-ranging impact in the global scientific community. In 2001, Dr. Steitz together with Drs. Moore and Noller received the Rosenstiel Award for Distinguished Work in Basic Medical Sciences for their research on the ribosome.

Peter B. Moore, Ph.D. – Dr. Moore is Eugene Higgins Professor of Chemistry at Yale University. He was elected to the National Academy of Sciences in 1997. His career research focus in the area of Biophysical Chemistry and the structure and function of macromolecular assemblies has produced an invaluable understanding of RNA-ribosome structure and function for both the academic and pharmaceutical community. In 2001, Dr. Moore together with Drs. Steitz and Noller received the Rosenstiel Award for Distinguished Work in Basic Medical Sciences for their research on the ribosome.

William L. Jorgensen, Ph.D. – Dr. Jorgensen obtained his Ph.D. in chemical Physics from Harvard in 1975. He is the Conkey P. Whitehead Professor of Chemistry at Yale University. His work in the area computational methods for drug design is applied widely in both academic and pharmaceutical research and he has received a number of American Chemical Society awards recognizing his accomplishments. He currently consults for Pharmacia and Pfizer and is a member of several other Scientific Advisory Boards, including Ariad.

John N. Abelson, Ph.D. – Dr. Abelson is the George Beadle Professor of Biology at the California Institute of Technology. He was elected to the National Academy of Sciences in 1985. His wide-ranging, in-depth focus on the chemistry and molecular biology of RNA structure and function contributes to our fundamental understanding of very basic biological processes. He is Co-Founder of Agouron and a member of the Board of Directors of Agouron Institute.

RIB-X PHARMACEUTICALS (cont.)

Harry F. Noller, Ph.D. – Dr. Noller is the Robert Louis Sinsheimer Professor of Molecular Biology at the University of California, Santa Cruz. He was elected to the National Academy of Sciences in 1992. He is an invaluable addition to the Scientific Board because of his long-term research focus on ribosomal RNA structure and function. In 2001, Dr. Noller together with Drs. Moore and Steitz received the Rosenstiel Award for Distinguished Work in Basic Medical Sciences for their research on the ribosome.

Financial Projections:

Rib-X is a development stage Biopharmaceutical company and therefore will likely not generate product revenues for some time. Revenues shown below are generated from alliances to be formed with pharmaceutical companies interested in discovery and development of new anti-infective drugs.

<u>Rib-X Pharmaceuticals</u>	Actual	Projected	Projected	Projected
(\$000)	FYE 12/01	FYE 12/02	FYE 12/03	FYE 12/04
Revenue	0	2,831	3,845	5,260
Operating Expenses	1,592	7,006	9,922	12,299
EBITDA	-1,592	-4,175	-6,077	-7,039
Annual Net Cash Burn	-1,331	-4,973	-7,460	-8,062

Outlook:

Rib-X's attractiveness stems from the quality of the science contained in Drs. Steitz and Moore's research and the possibility of relatively quick results in the large market opportunity area of antibiotics. Additionally, CEO Susan Froshauer has a solid record as a deal maker in the pharmaceutical industry. With an excellent investor syndicate and superior technology, we are excited about the prospects for our Rib-X investment.