

CHP II, L.P.
QUARTERLY REPORT
4th QUARTER, 2002

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CHP II, L.P.
QUARTERLY REPORT
4th QUARTER, 2002
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TO: The Limited Partners
FROM: John K. Clarke
DATE: February 20, 2003
SUBJECT: Activity for the Quarter Ended December 31, 2002

During the final quarter of 2002, our young portfolio continued to show solid advancement, tempered by some disappointment in progress at Molecular Mining and *iPhysicianNet*. Following are short summaries of activity for the quarter in each of our portfolio companies.

Alnylam Pharmaceuticals – Alnylam continues to make significant progress towards building the leading position in RNA interference-based therapeutics. During the quarter, the company completed its CEO search, began operations in its new lab facility, reached agreement for licensing some significant patents, and announced a “world-class” Scientific Advisory Board.

AthenaHealth – While sales have been inconsistent, revenue growth continues to be strong, driven by Athena’s dependable recurring revenue model. Revenues grew by 246% over 2001 and the company ended 2002 at an annual revenue run rate of \$18.3 million. Management’s 2003 budget has tied discretionary spending to revenue and sales growth to ensure attainment of break-even by Q3. We are hopeful that 2003 is the breakout year for Athena.

CardioOptics – Cardio-Optics has made great strides this quarter, completing product prototypes, initiating animal testing and beginning the process for initial use in humans. The company is operating under a cash efficient development strategy that we believe can yield significant progress on existing capital. In October, the company closed on an additional \$1.5 million in financing, bringing the Series A round to a total of \$4.5 million.

IntelliCare America – The company ended 2002 with an annual revenue run rate of \$10 million and steadily improving gross margins each quarter. Key hires and the initiation of several key partnerships over the last six months have bolstered our confidence in management attaining its 2003 goals of 100% revenue growth and cash flow break-even by the end of the year.

iPhysicianNet (IPNI) – With the loss of one client and two other clients substantially reducing their 2003 commitments due to internal budgetary cutbacks, Q4 02 has proven to be one of retrenchment at IPNI. While the company maintains the clear leadership position in the market, the company now will require further financing in 2003. Under these circumstances, we have reduced the carrying value for our investment by 50% to more accurately reflect the current value of the company.

Mobile Medical – During the quarter, the company performed essentially on plan and maintained its steady growth. One-time adjustments have negatively impacted margins for the period, but are expected to correct in the coming quarter. The CEO recruiting effort is progressing, but no lead candidate has surfaced.

Molecular Mining – Sales of the company’s software products continue to be disappointing, with no sign of a significant ramping to occur in the near future. The company has developed and implemented a reduced cash burn plan for 2003. The 2003 budget shows the company able to support operations on current capital for the year. However, without some success in software sales soon, the company will need to make further cutbacks to ensure capital resources are conserved. Under these circumstances, we have reduced the carrying value for our investment by 50% to more accurately reflect the current value of the company.

Momenta – Overall progress and prospects at Momenta are excellent. CEO Alan Crane has built a strong senior management team and the company continues to make rapid progress with its cardiovascular program focused on novel forms of heparin. At the current burn rate, the company will require additional financing in Q2 2003. The company has a commitment from its current investors for a \$6.5 million financing and management is in late-stage discussions with corporate and institutional investors to increase the size of the round.

Rib-X Pharmaceuticals – Research progress continues to exceed expectations and the board has encouraged management to initiate a larger 2nd round financing effort to support more rapid development. To support this effort, the current investors have agreed to invest up to \$23 million of a total \$30-\$35 million financing. In December, the company closed on \$12.5 million from the current investors, representing the initial closing on the financing.

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

Deal Flow:

During the quarter, we have reviewed 140 business proposals. Current “A” deals include Evolution Health, Gensys Software, Optiphar, Replication Medical, Xenomics and Xlipstream. 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 one capital call totaling \$2.9 million. Utilization of these funds included \$2.1 million in follow-on portfolio investments (\$1.875 million in the second round financing for Rib-X Pharmaceuticals and \$250K in the second closing of the first round financing for Cardio-Optics) and Q1 2003 operating expenses and fees. Cash on hand at the end of the period was \$1.0 million. Cumulative capital contributions are \$45.5 million or 39% of total commitments. Net loss for the quarter was \$4.3 million, consisting of \$745K in net operating expenses, the \$2.2 million realized loss on ParkStone, and \$1.3 million in net unrealized loss due to the mark-downs on Molecular Mining and iPhysician, offset by the reversal of the previous unrealized loss for ParkStone.

Looking forward:

The Limited Partner Annual Meeting was held on November 4th at the St. Regis Hotel in New York City. We were gratified that so many representatives from our investor group were able to attend and welcomed your input and counsel during the event. Brandon, Lisa, John, Geoff and I continue to work diligently to build value in the portfolio and appreciate your input and support.

CHP II, L.P.
Income Statement
For the Period Ended December 31, 2002

	Three Months Ended 12/31/02	Twelve Months Ended 12/31/02
Revenue:		
Non Portfolio Income	\$1,028	\$5,451
Interest-Equivalent Amounts	0	0
Expenses:		
Management Fee	734,217	2,936,869
Professional Fees	4,500	19,783
NVCA Dues & Expenses	0	5,173
Amortization of Organization Costs	0	0
Annual Meeting & Miscellaneous	11,456	12,693
Total Expenses	750,173	2,974,518
Net Operating Expense	(749,145)	(2,969,067)
Investment Income	3,648	26,706
Net Income Before Gains (Losses)	(745,497)	(2,942,361)
Realized Gains (Losses)	(2,242,784)	(2,242,784)
Unrealized Gains (Losses)	(1,308,204)	(1,343,618)
Net Income (Loss)	(\$4,296,485)	(\$6,528,763)

CHP II, L.P.
Balance Sheet
As of December 31, 2002

ASSETS:	Period Ended 12/31/02	Period Ended 09/30/02
Cash and Short-Term Investments	\$1,014,794	\$729,542
Accrued Interest	22,617	18,969
Venture Capital Investments	25,348,064	26,992,960
Organization Costs (Net of Accum. Amortization)	0	0
Other Assets	<u>216,375</u>	<u>202,364</u>
	<u>\$26,601,850</u>	<u>\$27,943,835</u>
 LIABILITIES & CAPITAL:		
Accrued Expenses and Payables	\$18,000	\$13,500
Partners' Accounts	<u>26,583,850</u>	<u>27,930,335</u>
Total Liabilities and Capital	<u>\$26,601,850</u>	<u>\$27,943,835</u>

CHP II, L.P.
Footnotes
As of December 31, 2002

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

Note 2 – Net Organization Costs	<u>12/31/02</u>	<u>09/30/02</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	<u>12/31/02</u>	<u>09/30/02</u>
GP Promissory Note Principal	\$216,375	\$202,364
Offset against Partners' Capital	<u>0</u>	<u>0</u>
Total	<u><u>\$216,375</u></u>	<u><u>\$202,364</u></u>

Note 4 – Accrued Expenses	<u>12/31/02</u>	<u>09/30/02</u>
Professional Fees	\$18,000	\$13,500
NVCA Dues & Annual Meeting	0	0
Accrued Management Fees	<u>0</u>	<u>0</u>
Total	<u><u>\$18,000</u></u>	<u><u>\$13,500</u></u>

CHP II, L.P.
Statement of Cash Flows
For the Period Ended December 31, 2002

	Three Months Ended 12/31/02	Twelve Months Ended 12/31/02
Cash flows from operating activities		
Net Income Before Gains (Losses)	(\$745,497)	(\$2,942,361)
Adjustments to reconcile net income before gains (losses) to net cash used in operating activities:		
Accrued Interest Receivable	(3,648)	(12,170)
Accrued Organization Costs	-	-
Other Assets	-	-
Accrued Expenses & Payables	4,500	(7,248)
Net Cash used in Operating Activities	(744,645)	(2,961,779)
Cash flows from investing activities		
Purchases of venture capital investments	(2,125,000)	(13,382,897)
Sales of venture capital investments	218,908	218,908
Net cash used in investing activities	(1,906,092)	(13,163,989)
Cash flows from financing activities		
Cash contributions by partners	2,935,989	16,721,282
Cash distribution to partners	0	0
Net cash provided by financing activities	2,935,989	16,721,282
 Net Change in Cash and Short Term Investments	 (285,252)	 595,514
Cash and Short Term Investments, beginning	729,542	419,280
Cash and Short Term Investments, ending	\$1,014,794	\$1,014,794

CHP II, L.P.
Schedule of Venture Capital Investments
As of December 31, 2002

Company	Debt	Equity	Total Cost	Fair Value	Unrealized Gain (Loss)
Alnylam Pharmaceuticals	\$0	\$4,250,000	\$4,250,000	\$5,750,000	\$1,500,000
AthenaHealth, Inc.	0	5,000,001	5,000,001	5,000,001	0
Cardio-Optics, Inc.	0	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	2,878,948	(2,878,949)
Mobile Medical Industries	0	2,500,000	2,500,000	2,500,000	0
Molecular Mining Corp.	0	1,509,060	1,509,060	754,530	(754,530)
Momenta Pharmaceuticals, Inc.	0	1,000,000	1,000,000	1,000,000	0
Rib-X Pharmaceuticals	0	3,000,000	3,000,000	3,000,000	0
Totals	\$0	\$29,016,958	\$29,016,958	\$25,348,064	(\$3,668,894)

CHP II, L.P.
Statement of Partners' Contributions Accounts
As of December 31, 2002

	Partners' Total Subscription	Contributions Account 09/30/02	Period Contribution in Cash	Period Contribution by Note	Contributions Account 12/31/02	Partners' Outstanding Subscription
<u>Limited Partners</u>						
State Teachers Ret. System of Ohio	\$30,000,000	\$10,879,764	\$753,353	\$0	\$11,633,117	\$18,366,883
Nassau Capital Funds	10,000,000	3,626,588	251,118	0	3,877,706	6,122,294
Robert Wood Johnson Foundation	10,000,000	3,626,588	251,118	0	3,877,706	6,122,294
Northwestern University	10,000,000	3,626,588	251,118	0	3,877,706	6,122,294
LACERA	10,000,000	3,626,588	251,118	0	3,877,706	6,122,294
Textron Master Trust	10,000,000	3,626,588	251,118	0	3,877,706	6,122,294
Wachovia Investors, Inc. (First Union)	7,500,000	2,719,942	188,338	0	2,908,280	4,591,720
Pension Commissioners of City of LA	5,000,000	1,813,295	125,559	0	1,938,854	3,061,146
Princess Private Equity	5,000,000	1,813,295	125,559	0	1,938,854	3,061,146
Hillside Capital Incorporated	3,500,000	1,269,304	87,891	0	1,357,195	2,142,805
Hamilton Lane-Carpenters Fund	3,000,000	1,087,976	75,335	0	1,163,311	1,836,689
UNISYS Master Trust	3,000,000	1,087,976	75,335	0	1,163,311	1,836,689
Venture Investment Associates III, L.P.	2,300,000	834,114	57,757	0	891,871	1,408,129
Fleet Growth Resources (Summit)	2,000,000	725,319	50,224	0	775,543	1,224,457
S.R. One Limited	2,000,000	725,319	50,224	0	775,543	1,224,457
Pharma BioDevelopment, Inc.	2,000,000	725,319	50,224	0	775,543	1,224,457
Private Equity Holdings II, Ltd.	1,000,000	362,659	25,111	0	387,770	612,230
	\$116,300,000	\$42,177,222	\$2,920,500	\$0	\$45,097,722	\$71,202,278
<u>General Partner</u>						
CHP II Management, LLC.	1,174,747	426,033	15,489	14,011	455,533	719,214
Total Partnership	\$117,474,747	\$42,603,255	\$2,935,989	\$14,011	\$45,553,255	\$71,921,492

CHP II, L.P.
Statement of Partners' Distributive Share of Net Assets
For the Period Ended December 31, 2002

	Private Securities	Public Securities	Cash	Other Assets	Total Assets	Accrued Expenses	Net Assets 12/31/02
<u>Limited Partners</u>							
State Teachers Ret. System of Ohio	\$6,473,237	\$0	\$259,152	\$61,032	\$6,793,421	(\$4,597)	\$6,788,824
Nassau Capital Funds	2,157,747	0	86,384	20,344	2,264,475	(1,532)	2,262,943
Robert Wood Johnson Foundation	2,157,747	0	86,384	20,344	2,264,475	(1,532)	2,262,943
Northwestern University	2,157,747	0	86,384	20,344	2,264,475	(1,532)	2,262,943
LACERA	2,157,747	0	86,384	20,344	2,264,475	(1,532)	2,262,943
Textron Master Trust	2,157,747	0	86,384	20,344	2,264,475	(1,532)	2,262,943
Wachovia Investors, Inc. (First Union)	1,618,309	0	64,788	15,258	1,698,355	(1,149)	1,697,206
Pension Commissioners of City of LA	1,078,872	0	43,192	10,172	1,132,236	(766)	1,131,470
Princess Private Equity	1,078,872	0	43,192	10,172	1,132,236	(766)	1,131,470
Hillside Capital Incorporated	755,209	0	30,234	7,120	792,563	(536)	792,027
Hamilton Lane-Carpenters Fund	647,321	0	25,915	6,104	679,340	(460)	678,880
UNISYS Master Trust	647,321	0	25,915	6,104	679,340	(460)	678,880
Venture Investment Associates III, L.P.	496,280	0	19,868	4,679	520,827	(352)	520,475
Fleet Growth Resources (Summit)	431,551	0	17,277	4,069	452,897	(307)	452,590
S.R. One Limited	431,551	0	17,277	4,069	452,897	(307)	452,590
Pharma BioDevelopment, Inc.	431,551	0	17,277	4,069	452,897	(307)	452,590
Private Equity Holdings II, Ltd.	215,774	0	8,638	2,034	226,446	(153)	226,293
	\$25,094,583	\$0	\$1,004,645	\$236,602	\$26,335,830	(\$17,820)	\$26,318,010
<u>General Partner</u>							
CHP II Management, LLC.	253,481	0	10,149	2,390	266,020	(180)	265,840
Total Partnership	\$25,348,064	\$0	\$1,014,794	\$238,992	\$26,601,850	(\$18,000)	\$26,583,850

CHP II, L.P.
Statement of Partners' Capital Accounts *
For the Twelve Months Ended December 31, 2002

<u>Limited Partner</u>	Partners' Capital 01/01/02	Net Capital Contribution	Non-Portfolio Income	Net Investment Income	Realized Gains (Losses)	Total Income	Unrealized Gains (Losses)	Distributions	Partners' Capital 12/31/02
State Teachers Ret. System of Ohio	\$4,165,819	\$4,290,282	\$1,392	(\$752,795)	(\$572,749)	(\$1,324,152)	(\$342,125)	\$0	\$6,788,824
Nassau Capital Funds	1,388,607	1,430,095	464	(250,932)	(190,916)	(441,384)	(114,375)	0	2,262,943
Robert Wood Johnson Foundation	1,388,607	1,430,095	464	(250,932)	(190,916)	(441,384)	(114,375)	0	2,262,943
Northwestern University	1,388,607	1,430,095	464	(250,932)	(190,916)	(441,384)	(114,375)	0	2,262,943
Textron Master Trust	1,388,607	1,430,095	464	(250,932)	(190,916)	(441,384)	(114,375)	0	2,262,943
LACERA	1,388,607	1,430,095	464	(250,932)	(190,916)	(441,384)	(114,375)	0	2,262,943
Wachovia Investors (First Union)	1,041,455	1,072,571	348	(188,199)	(143,187)	(331,038)	(85,782)	0	1,697,206
Pension Commissioners-City of LA	694,302	715,048	232	(125,466)	(95,459)	(220,693)	(57,187)	0	1,131,470
Princess Private Equity	694,302	715,048	232	(125,466)	(95,459)	(220,693)	(57,187)	0	1,131,470
Hillside Capital Incorporated	486,010	500,533	162	(87,826)	(66,821)	(154,485)	(40,031)	0	792,027
Hamilton Lane-Carpenters Fund	415,680	429,928	139	(75,279)	(57,275)	(132,415)	(34,313)	0	678,880
UNISYS Master Trust	416,580	429,028	139	(75,279)	(57,275)	(132,415)	(34,313)	0	678,880
Venture Investment Associates III	319,378	328,921	107	(57,714)	(43,911)	(101,518)	(26,306)	0	520,475
Fleet Growth Resources	277,722	286,019	93	(50,186)	(38,183)	(88,276)	(22,875)	0	452,590
S. R. One Limited	277,722	286,019	93	(50,186)	(38,183)	(88,276)	(22,875)	0	452,590
Pharma BioDevelopment, Inc.	277,722	286,019	93	(50,186)	(38,183)	(88,276)	(22,875)	0	452,590
Private Equity Holdings II, Ltd.	138,861	143,009	46	(25,093)	(19,092)	(44,139)	(11,438)	0	226,293
	\$16,148,588	\$16,632,900	\$5,396	(\$2,918,335)	(\$2,220,357)	(\$5,133,296)	(\$1,330,182)	\$0	\$26,318,010
<u>General Partner</u>									
CHP II Management, LLC.	26,369	88,382	55	(29,478)	(22,427)	(51,850)	(13,436)	0	49,465
Total Partnership	\$16,174,957	\$16,721,282	\$5,451	(\$2,947,813)	(\$2,242,784)	(\$5,185,146)	(\$1,343,618)	\$0	\$26,367,475

* - 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, 2002

	Partners' Contribution Account	Non-Portfolio Income	Net Investment Income	Realized Gains (Losses)	Total Income	Unrealized Gains (Losses)	Distributions	Partners' Account
<u>Limited Partners</u>								
State Teachers Ret. System of Ohio	\$11,633,117	\$14,837	(\$2,072,572)	(\$1,849,618)	(\$3,907,353)	(\$936,940)	\$0	\$6,788,824
Nassau Capital Funds	3,877,706	4,947	(690,857)	(616,540)	(1,302,450)	(312,313)	0	2,262,943
Robert Wood Johnson Foundation	3,877,706	4,947	(690,857)	(616,540)	(1,302,450)	(312,313)	0	2,262,943
Northwestern University	3,877,706	4,947	(690,857)	(616,540)	(1,302,450)	(312,313)	0	2,262,943
LACERA	3,877,706	4,947	(690,857)	(616,540)	(1,302,450)	(312,313)	0	2,262,943
Textron Master Trust	3,877,706	4,947	(690,857)	(616,540)	(1,302,450)	(312,313)	0	2,262,943
Wachovia Investors, Inc. (First Union)	2,908,280	3,710	(518,143)	(462,405)	(976,838)	(234,236)	0	1,697,206
Pension Commissioners of City of LA	1,938,854	2,472	(345,429)	(308,271)	(651,228)	(156,156)	0	1,131,470
Princess Private Equity	1,938,854	2,472	(345,429)	(308,271)	(651,228)	(156,156)	0	1,131,470
Hillside Capital Incorporated	1,357,195	1,730	(241,800)	(215,789)	(455,859)	(109,309)	0	792,027
Hamilton Lane-Carpenters Fund	1,163,311	1,484	(207,258)	(184,962)	(390,736)	(93,695)	0	678,880
UNISYS Master Trust	1,163,311	1,484	(207,258)	(184,962)	(390,736)	(93,695)	0	678,880
Venture Investment Associates III	891,871	1,138	(158,898)	(141,804)	(299,564)	(71,832)	0	520,475
Fleet Growth Resources (Summit)	775,543	989	(138,171)	(123,308)	(260,490)	(62,463)	0	452,590
S.R. One Limited	775,543	989	(138,171)	(123,308)	(260,490)	(62,463)	0	452,590
Pharma BioDevelopment, Inc.	775,543	989	(138,171)	(123,308)	(260,490)	(62,463)	0	452,590
Private Equity Holdings II, Ltd.	387,770	495	(69,086)	(61,654)	(130,245)	(31,232)	0	226,293
<u>General Partner</u>								
CHP II Management, LLC.	\$45,097,722	\$57,524	(\$8,034,671)	(\$7,170,360)	(\$15,147,507)	(\$3,632,205)	\$0	\$26,318,010
	455,533	582	(81,159)	(72,427)	(153,004)	(36,689)	0	265,840
Total Partnership	\$45,553,255	\$58,106	(\$8,115,830)	(\$7,242,787)	(\$15,300,511)	(\$3,668,894)	\$0	\$26,583,850

TO: The Limited Partners

FROM: John J. Park

DATE: January 27, 2003

SUBJECT: Portfolio Valuations for December 31, 2002

Investment securities held by CHP II, L.P. (the “Partnership”) have been valued in accordance with the Standard Valuation Policy of the Partnership. In accordance with the Policy, we propose to value restricted securities at cost, until subsequent events of a significant nature indicate the need for a change. This memorandum delineates the portfolio valuation calculations proposed by the General Partner and approved by the Advisory Committee for the Partnership, for those investments not valued at cost, as of December 31, 2002.

ALNYLAM PHARMACEUTICALS – In July 2002, Alnylam completed a \$15.4 million first round financing at \$2.50 per share, valuing the company at \$20.15 post-money. New investor Atlas Ventures led the financing, with CHP II contributing \$3.25 million. We propose to value our investment on the basis of this financing, resulting in an unrealized gain of \$1,500,000 on our cost basis of \$4,250,000 as of December 31, 2002. This valuation represents no change from the valuation as of September 30, 2002.

Value Computation:

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

CHP II, L.P.**Portfolio Valuations as of December 31, 2002****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 December 31, 2002. This valuation represents no change from the valuation as of September 30, 2002.

Value Computation:

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

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. After analyzing the financial requirements and operational forecast for the coming year, we propose that the investment value should be reduced to 50% of cost, producing an unrealized loss of \$2,878,949 on our investment cost basis of \$5,757,897 as of December 31, 2002. This valuation represents a decrease of \$2,878,949 from the valuation as of September 30, 2002.

Value Computation:

Series E Convertible Preferred Stock		
5,000,000 shares x \$1.00 x 50%	=	\$2,500,000
Series G Convertible Preferred Stock		
378,948 shares x \$2.00 x 50%	=	<u>378,948</u>
		<u>\$2,878,948</u>

CHP II, L.P.

Portfolio Valuations as of December 31, 2002

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. As the company has not progressed sufficiently and may require additional financing to continue operations, we are proposing a 50% reduction in carrying value to more accurately reflect our estimation of the current value of the company. This valuation produces an unrealized loss of \$754,530 on our investment cost basis of \$1,509,060 as of December 31, 2002. This valuation represents a decrease of \$754,530 from our carrying value as of September 30, 2002.

Value Computation:

$$\begin{array}{rcl} \text{Series B Convertible Preferred Stock} & & \\ 737,422 \text{ shares} \times \$2.0464 \times 50\% & = & \underline{\underline{\$754,530}} \end{array}$$

PARKSTONE MEDICAL – In August 2001, ParkStone filed for bankruptcy protection under Chapter 11. At that time, we reduced the value of our ParkStone investment to \$250,000. In October 2001, CHP II received a distribution of \$113,583 representing the initial distribution of proceeds from the sale of ParkStone's assets. Accordingly, we then reduced the carrying value to \$136,417 (\$250,000 - \$113,583). In December 2002, CHP II received a distribution from escrow totaling \$218,908. As this represents the final distribution of the cash proceeds from the sale of ParkStone's assets, we have reduced the carrying value for ParkStone to \$0, written off the remaining balance of \$2,242,784 on the secured note, recording a realized loss for the same amount, and reversed the previously unrealized loss of \$2,325,276. This valuation represents a decrease of \$136,417 from our carrying value as of September 30, 2002.

CHP II, L.P.
Portfolio Valuation Summary
For the Quarter ended December 31, 2002

<u>Portfolio Company</u>	<u>Investment</u>	<u>Fair Value</u> <u>12/31/02</u>	<u>Fair Value</u> <u>09/30/02</u>	<u>Change from</u> <u>Prior Quarter</u>	<u>Reason for Change</u>
Alnylam Pharmaceuticals, Inc.	\$4,250,000	\$5,570,000	\$5,570,000	\$0	
AthenaHealth, Inc.	\$5,000,001	\$5,000,001	\$5,000,001	0	
CardioOptics, Inc.	\$2,000,000	\$2,000,000	\$1,750,000	\$250,000	Addnl Closing to New Investment. (note 1)
Intellicare America, Inc.	\$4,000,000	\$2,464,585	\$2,464,585	0	
IPhysicianNet, Inc..	\$5,757,897	\$2,878,948	\$5,757,987	(\$2,878,949)	Mark Down. (note 2)
Mobile Medical Industries	\$2,500,000	\$2,500,000	\$2,500,000	0	
Molecular Mining Corporation	\$1,509,060	\$754,530	\$1,509,060	(\$754,530)	Mark Down. (note 3)
Momenta Pharmaceuticals	\$1,000,000	\$1,000,000	\$1,000,000	0	
ParkStone Medical Information	\$0	\$0	\$136,417	(\$136,417)	Final distribution of Proceeds. (note 4)
Rib-X Pharmaceuticals	\$3,000,000	\$3,000,000	\$1,125,000	\$1,875,000	Follow-on Investment. (note 5)
Total Portfolio	\$29,016,958	\$25,348,064	\$26,992,960	(\$1,644,896)	

- 1) On October 2, 2002, CHP II contributed \$250,000 to the \$1.5 million second and final closing of the first round financing for CardioOptics, Inc., bringing the total amount raised in the financing to \$4.5 million. One new investor, Primus Venture Partners, contributed \$1 million to this closing, with current investor Sequel Ventures investing the remaining \$250,000.
- 2) After a review of the financial requirements for the coming year and operational results to date for IphysicianNet, we believe it to be prudent to reduce the carrying value for our investment by 50% until the company closes a subsequent financing round or is sold.
- 3) As a result of lagging operational progress since the May 2001 financing round for Molecular Mining, we believe it to be prudent to reduce the carrying value for our investment by 50% to more accurately reflect the current value of the company.
- 4) In December, CHP II received a final distribution form escrow totaling \$218,908 representing the last of the sale proceeds from the assets of ParkStone. Accordingly we have reduced the carrying value for our secured notes from \$136,417 to \$0, written off the remaining cost basis for the notes recording a realized loss of \$2,242,784 (\$2,461,693 - \$218,908), and reversed the previously unrealized loss of \$2,325,276.
- 5) On December 9, 2002, CHP II contributed \$1.875 million to the initial \$12.5 million close of a second round financing for Rib-X Pharmaceuticals. Current investors Oxford Biosciences and EuclidSR partners led the financing. The financing was priced at the same level as the \$11.5 million first round financing from December 2001, equating to a pre-money value of \$16.3 million for the financing.

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

Therapeutics Based on the Novel Biological Mechanism of RNA Interference

Period Summary: 4th Quarter 2002

Alnylam had another solid quarter to end the year. The company successfully completed its CEO search, made significant progress in other key recruiting efforts, began operations in its new lab facility, completed a \$2.5 million equipment leasing facility, reached agreement for in-licensing of a series of significant patents, and announced the composition of a “world-class” Scientific Advisory Board.

In December, John M. Maraganore, Ph.D., joined Alnylam as President and CEO. Dr. Maraganore is the former senior vice-president of strategic product development at Millennium Pharmaceuticals. During his six-year tenure at Millennium Pharmaceuticals, Dr. Maraganore played a number of key roles including building and leading Millennium's global therapeutic area franchise businesses. He was previously responsible for M&A, strategic planning, and in-licensing activities, and was general manager and founder of Millennium BioTherapeutics. Prior to his tenure at Millennium, Dr. Maraganore spent 10 years at Biogen in managerial positions including Director of Market and Business Development and Director of Biological Research. Dr. Maraganore received his M.S. and Ph.D. in biochemistry and molecular biology at the University of Chicago.

In November, the company began operating out of its new lab facility in Cambridge, MA. Drug discovery research efforts will begin on parallel tracks; “Enabling Pharmacology” – determining the genetic attributes of siRNA, and “Targeted Pharmacology” – determining attributes necessary for therapeutic effect. Collaborative research efforts have begun at Rockefeller University, MIT/Harvard Medical School and the University of Massachusetts, yielding promising preliminary data. Additional collaborative efforts focused on viral disease, oncology, autoimmune disease and *in vivo* drug delivery, are expected to begin over the next six months.

Also during the quarter, the company reached agreement with the Max Planck Institute covering the major patents related to one of the scientific founders’ work at that institution. We believe that this intellectual property position will greatly strengthen the company’s opportunity to control significant parts of this newly emerging field and play an essential role in positioning the company for future strategic alliances with large pharmaceutical companies.

Overall, Alnylam continues to make significant progress towards building the world’s leading position in RNA interference-based therapeutics.

ALNYLAM PHARMACEUTICALS (cont.)

FINANCIAL RESULTS: (\$000)

Overview: (FYE 12/31)

	<i>2002 Preliminary</i>	<i>2003 Estimate</i>
Revenues	0	0
Cost of Sales	0	0
Operating Expenses	2,054	6,800
EBIT	-2,054	-6,800
Interest and Taxes	88	162
Net Income	-1,966	-6,638

Last Three Months: Quarter Ended December 31, 2002

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	0	0	0
Cost of Sales	0	0	0
SG&A	1,599	910	-689
EBIT	-1,599	-910	-689
Interest and Taxes	73	40	+33
Net Income	-1,526	-870	-656

Fiscal Year-to-Date: Twelve Months Ended December 31, 2002

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	0	0	0
Cost of Sales	0	0	0
SG&A	2,054	1,365	-689
EBIT	-2,054	-1,365	-689
Interest and Taxes	88	55	+33
Net Income	-1,966	-1,310	-656

ALNYLAM PHARMACEUTICALS (cont.)

Summary Balance Sheet as of December 31, 2002: (\$000)

Cash	\$ 15,965	Accounts Payable	\$ 405
Accounts Receivable	0	Accrued Expenses	265
Other Current Assets	<u>98</u>	Other Current Liabilities	<u>0</u>
Total Current Assets	16,063	Total Current Liabilities	670
Net PP&E	491	Long Term Debt - Lease line	504
Intangibles (Net)	0	Shareholders Equity	17,346
Other Assets	<u>0</u>	Retained Earnings	<u>-1,966</u>
Total Assets	<u>\$16,554</u>	Total Liabilities & Equity	<u>\$16,554</u>

Comments:

Alnylam has raised over \$17 million since its inception in May. The company is building infrastructure and is forecasted to have an average monthly burn rate of \$400K - \$500K for the first six months of 2003. Management expects the current funds to last well into 2004.

CHP II, L.P. Holdings:

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

Outlook:

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

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

Web-Based Business Practice Management Services for Physician Offices

Period Summary: 4th Quarter 2002

Despite the fact that Athena's sales performance has been inconsistent from quarter to quarter, revenue growth remains strong, thanks to the company's fundamental model of recurring, long term contracts. Revenues grew by 246% over 2001 levels and the company ended 2002 at a revenue run rate of \$18.3 million. Sales growth was not so robust, as momentum slowed in the second half of the year, primarily due to performance issues affecting client satisfaction. These performance issues have been addressed and client satisfaction as measured by referenceable accounts has returned to levels above 90%. The company also scored a major coup in recruiting as V.P. of Sales Bob Huber. Bob was the perennial top producing sales rep for physician software leader IDX.

New contract sales for December were strong, but not sufficient to meet the goal for the quarter due to the failure to close one key deal worth \$1.7 million in annual revenue by the end of the month. Given the number of mature prospects in the sales pipeline at year-end, Athena has strong sales momentum heading into 2003. The 2003 budget assumes the closing of \$4.3 million in new sales in January and February, resulting in the attainment of breakeven profitability in July 2003.

Revenue, margins and net income all continue to trend favorably, but are well below budget because of cumulative sales/implementation delays, primarily from Q1, as compared to plan. Operating cash burn for the quarter averaged \$670K per month, 15% over plan primarily as a result of unforecasted sales commissions and a lower revenue base. Service performance has improved substantially, but sustaining this will require continuous management focus until it is routine.

While the sales results for the second half of 2002 were disappointing, the company continues to build solid momentum towards breakeven, powered by its dependable recurring revenue model. The 2003 budget is ambitious and heavily dependent upon the attainment of significant sales growth in the first six months of the year, while maintaining current implementation timeframes. With the addition last quarter of Bob Huber to the sales team and the addition of numerous new marketing alliances over the last 18 months, we are more confident in the sales process and likelihood for success in 2003. That notwithstanding, at the direction of the Board, management has directly linked discretionary spending to revenue and sales growth to ensure attainment of cash flow breakeven by Q3 2003.

ATHENAHEALTH, INC (cont.)

FINANCIAL RESULTS: (\$000)

Overview: (FYE 12/31)

	<i>2001 Actual</i>	<i>2002 Preliminary*</i>	<i>2003 Budget</i>
Revenues	3,459	11,985	27,949
Direct Expenses	6,480	10,137	16,973
SG&A	9,278	8,860	9,965
EBITDA	-12,299	-7,012	1,011
Depreciation	1,636	2,493	3,226
Interest and Taxes	855	-55	-452
Net Income	-13,080	-9,560	-2,667

* Subject to Audit

Last Three Months: Quarter Ended December 31, 2002

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	4,279	6,605	-2,326
Direct Expenses	2,923	3,225	+302
SG&A	2,383	2,502	+119
EBITDA	-1,027	878	-1,905
Depreciation	710	627	-83
Interest and Taxes	-44	-34	-10
Net Income	-1,781	217	-1,998

Fiscal Year-to-Date: Twelve Months Ended December 31, 2002

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	11,985	17,960	-5,975
Direct Expenses	10,137	10,923	+786
SG&A	8,860	9,263	+403
EBITDA	-7,012	-2,226	-4,786
Depreciation	2,493	2,226	-267
Interest and Taxes	-55	-21	-34
Net Income	-9,560	-4,473	-5,087

ATHENAHEALTH, INC. (cont.)

Summary Balance Sheet as of December 31, 2002: (\$000)

Cash	\$ 9,324	Accounts Payable	\$ 800
Accounts Receivable	2,018	Accrued Expenses	1,467
Other Current Assets	<u>660</u>	Other Current Liabilities	<u>4,874</u>
Total Current Assets	12,002	Total Current Liabilities	7,141
Net PP&E	2,763	Long Term Debt - Lease line	1,792
Intangibles (Net)	0	Shareholders Equity	43,350
Other Assets	<u>1,931</u>	Retained Earnings	<u>-35,587</u>
Total Assets	<u>\$16,696</u>	Total Liabilities & Equity	<u>\$16,696</u>

Comments:

Cash burn for the year is 10% behind plan, due primarily to slower sales growth in Q3, resulting in lower Q4 revenues. Management expects to reach cash flow break even in July 2003. At that time, the forecasted cash balance is just over \$6 million. The company has a \$2.5 million working capital facility and an untapped \$2.2 million equipment facility to offer additional sources of capital.

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: 4th Quarter 2002

During the quarter, Cardio-Optics continued to make good progress toward its near-term goals of product development, animal testing and preparation for initial use of the device in humans. Animal testing will continue at LSU in Q1 03, adding multiple additional sites including the University of Colorado toward the end of the quarter. In October, the company closed on an additional \$1.5 million in financing, bringing the Series A round to a total of \$4.5 million.

Increased scrutiny by the FDA on hospital based Institutional Review Boards (IRBs) for the classification of device testing on humans as Non-Significant Risk (NSR), has provided a minor setback to the company's product timeline. While the company will continue to pursue human trials under hospital IRB, human trials could be delayed pending the formal 510(k) approval. The goal is to submit an initial 510(k) for approval with the FDA in the first quarter of 2003. Management held a preliminary meeting with the FDA in December, confirming that no human clinical data was necessary for initial approval.

The investors are guiding management to operate the company with a lean structure until product viability has been proven in human clinical studies. Consequently, management has developed an operating plan that reduces current salaries, curtails sales and marketing expansion and extends current capital to Q3 2003. Provided sufficient clinical progress is being made, the current investors will provide additional capital to complete initial human clinical studies,

While general environmental issues have caused some minor setbacks in the timing of initiating human clinical studies, management has reacted quickly to reformulate strategy and develop a revised operating plan. The company has a cash efficient development strategy that we believe can yield significant progress on existing capital. The key milestones for the company in the coming 6-9 months includes: completion of initial animal studies, submission and approval of 510(k) for initial indication, initiation of human clinical studies and significant progress on strategic marketing partner discussions. At present activity levels, Cardio-Optics is on track to achieve its target of initiating human clinical studies by Q3 2003.

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

* Subject to Audit

Last Three Months: Quarter Ended December 31, 2002

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	0	0	0
Cost of Sales	0	0	0
SG&A	985	1,148	+163
EBIT	-985	-1,148	+163
Interest and Taxes	12	0	+12
Net Income	-973	-1,148	+175

Fiscal Year-to-Date: Twelve Months Ended December 31, 2002

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	0	0	0
Cost of Sales	0	0	0
SG&A	2,647	2,889	+242
EBIT	-2,647	-2,889	+242
Interest and Taxes	21	0	+21
Net Income	-2,626	-2,889	+263

CARDIO-OPTICS, INC. (cont.)

Summary Balance Sheet as of December 31, 2002: (\$000)

Cash	\$ 2,972	Accounts Payable	\$ 58
Accounts Receivable	0	Accrued Expenses	326
Other Current Assets	<u>0</u>	Other Current Liabilities	<u>0</u>
Total Current Assets	2,972	Total Current Liabilities	384
Net PP&E	50	Long Term Debt - Lease line	73
Intangibles (Net)	0	Shareholders Equity	5,996
Other Assets	<u>49</u>	Retained Earnings	<u>-3,382</u>
Total Assets	<u>\$ 3,071</u>	Total Liabilities & Equity	<u>\$ 3,071</u>

Comments:

At the current forecasted burn rate, the company has adequate capital to operate into September 2003. The investors and management are working closely to curtail expenditures until product viability is established. The current investor syndicate is prepared to provide the company with additional capital to complete initial human clinical studies.

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

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

Integrated Telecommunications, Web and Data Networks for Patient Management

Period Summary: 4th Quarter 2002

Despite some revenue disappointments, 2002 was a highly successful year for IntelliCare. The company grew revenues 45% over 2001 and ends the year with an annual revenue run rate > \$10 million. The company completed a \$10.2 million financing that will support operations through 2003 and well beyond. Gross margins and business unit margins are improving steadily. The company has initiated several important partnership relationships to expand its market reach and completed some significant recruiting assignments. The 2003 budget forecasts revenue growth of > 100%, requiring the sale and implementation of \$7.5 million in new business. The company currently has \$5.6 million of this new business identified, either at the signed LOI or signed contract stage. Approximately \$4.7 million of annualized new business revenues are forecast to be implemented in Q1 2003.

Revenues for the quarter lagged plan by one-third, but generally reflected prior quarter forecasts. Despite missing budget on revenues, gross margins were positive for the entire quarter, demonstrating the effect of both scale economies and better pricing discipline. Operating expenses remained ahead of plan for both the quarter and the year. The company has ample cash reserves to support operations well into 2004 and will continue to consider small acquisitions. We currently forecast the company will attain break-even within twelve months.

Key hires and the initiation of several key partnership relationships over the last six months have bolstered our confidence in management attaining its 2003 goals. We continue to be generally optimistic about IntelliCare and the company's prospects for building a commanding leadership position in an underserved market niche.

INTELLICARE AMERICA (cont.)

FINANCIAL RESULTS: (\$000)

Overview: (FYE 12/31)

	<i>2001 Actual</i>	<i>2002 Preliminary*</i>	<i>2003 Budget</i>
Revenues	5,483	7,952	15,795
Cost of Revenues	6,593	7,385	12,668
SG&A	3,159	4,338	6,077
EBIT	-4,269	-3,771	-2,950
Interest and Taxes	60	-113	-39
Net Income	-4,209	-3,884	-2,989

* - Subject to Audit

Last Three Months: Quarter Ended December 31, 2002

	<i>Actual</i>	<i>Budget*</i>	<i>Variance</i>
Revenues	2,190	3,319	-1,129
Cost of Revenues	1,982	2,474	+492
SG&A	1,003	1,194	+191
EBIT	-795	-349	-446
Interest and Taxes	-80	-13	-67
Net Income	-875	-362	-513

Fiscal Year-to-Date: Twelve Months Ended December 31, 2002

	<i>Actual</i>	<i>Budget*</i>	<i>Variance</i>
Revenues	7,952	10,419	-2,467
Cost of Revenues	7,385	8,815	+1,430
SG&A	4,338	4,768	+430
EBIT	-3,771	-3,164	-607
Interest and Taxes	-113	-68	-45
Net Income	-3,884	-3,232	-652

* - Budget Revised – May 2002

INTELLICARE AMERICA (cont.)

Summary Balance Sheet as of December 31, 2002: (\$000)

Cash	\$ 6,873	Accounts Payable	\$ 539
Accounts Receivable	827	Accrued Payroll	450
Other Current Assets	<u>96</u>	Other Current Liabilities	<u>1,334</u>
Total Current Assets	7,796	Total Current Liabilities	2,323
Net PP&E	1,301	Long Term Liabilities	295
Intangibles (Net)	65	Shareholders Equity	18,788
Other Assets	<u>69</u>	Retained Earnings	<u>-12,175</u>
Total Assets	<u>\$ 9,231</u>	Total Liabilities & Equity	<u>\$ 9,231</u>

Comments:

The company completed a \$10.15 million financing in June. This capital will be sufficient to support operations for over two years and through the attainment of cash flow break even in the latter half of 2003.

CHP II, L.P. Holdings:

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

Outlook:

With the company well capitalized and on a clear path to profitability, we remain optimistic about the prospects for our investment in IntelliCare.

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

eDetailing ASP Linking Pharmaceutical Companies and Physicians

Period Summary: 4th Quarter 2002

The last quarter of 2002 has proven to be a retrenching period for iPhysicianNet (IPNI). The company has lost one pharmaceutical client, with two others likely to substantially reduce utilization because of internal budgetary cutbacks. Notwithstanding this setback, the company maintains the clear leadership position in the market and we believe IPNI can still attain revenues for 2003 in excess of \$25 million, a growth of over 35% compared to 2002. IPNI faces a critical juncture in its operational history. Success will depend upon a number of factors including; maintaining the current client base, significant improvement in physician recruiting, increasing utilization by the physicians, decreasing physician connection costs and attaining financing to bridge the company to break-even.

Revenues for the quarter were \$4.7 million, well below plan due to fewer installed physicians (7,536 vs. 8,692), and 25% lower utilization for the period due to the holidays, customer discontinuance and slippage in new client rollouts as compared to plan. Cost of sales for the period shows a 44% favorable variance to budget as a result of the Hitachi settlement, lower per-physician Telco costs and fewer than budgeted installed physicians. Operating expenses were 10% ahead of plan for the period. Interest expense was behind forecast due to the initiation of the new equipment financing agreement in September. Resulting net income for the period was well behind plan, resulting in the company slipping behind its cash flow forecast for the year by \$500K.

We are very encouraged by a significant new hire. During the quarter, IPNI announced the appointment of Richard C. Bleil as President and Chief Operating Officer. Rick has extensive experience in the healthcare industry, most recently holding senior executive positions at WebMD and Medical Manager. Prior to these roles, he headed WellPoint Pharmacy Management, a division of WellPoint Health Networks. Rick will be responsible for the day-to-day management of the business of the company.

During 2002, monthly cash burn has declined from \$1.2 million to less than \$650K at year-end. However, this is not sustainable on current capital and management has proposed the outlines of an operating plan for 2003-2005 that contains a number of significant cost reductions, but would still require \$5 - \$10 million in additional financing in 2003. The investor syndicate along with the management advisory board is evaluating the plan. In this context, we feel it is prudent at this time to reduce the carrying value for IPNI by 50% to more accurately reflect our estimation for the value of the company in a new financing scenario. We continue to track progress closely in concert with management and our co-investors during this critical period for the company.

iPHYSICIANNET (cont.)

FINANCIAL RESULTS: (\$000)

Overview: (FYE 12/31)

	<i>2001 Actual</i>	<i>2002 Preliminary*</i>	<i>2003 Budget</i>
Revenues	10,276	18,489	27,175
Operating Expenses	31,622	23,782	26,726
SG&A	16,865	7,936	8,545
EBITDA	-38,211	-13,229	-8,096
Interest and Taxes	354	-1,256	-2,373
Net Income (Loss)	-37,857	-14,485	-10,469
EBITDA	-33,693	-8,876	-3,890

* - Subject to Audit

Last Three Months: Quarter Ended December 31, 2002

	<i>Actual</i>	<i>Budget**</i>	<i>Variance</i>
Revenues	4,724	11,443	-6,719
Cost of Sales	6,017	10,857	+4,840
SG&A	1,666	1,844	+178
EBIT	-2,959	-1,258	-1,701
Interest and Taxes	-332	-26	-306
Net Income (Loss)	-3,291	-1,284	-2,007

Fiscal Year-to-Date: Twelve Months Ended December 31, 2002

	<i>Actual</i>	<i>Budget**</i>	<i>Variance</i>
Revenues	18,489	29,555	-11,066
Cost of Sales	23,782	35,431	+11,649
SG&A	7,936	7,566	-370
EBIT	-13,229	-13,442	+213
Interest and Taxes	-1,256	-104	-1,152
Net Income (Loss)	-14,485	-13,546	-939

** - Budget approved February 2002

iPHYSICIANNET (cont.)

Summary Balance Sheet as of December 31, 2002: (\$000)

Cash	\$ 2,245	Accounts Payable	\$ 1,822
Accounts Receivable	1,026	Accrued Expenses	1,981
Other Current Assets	<u>0</u>	Deferred Revenue	<u>7,517</u>
Total Current Assets	3,271	Total Current Liabilities	11,320
Net PP&E	3,300	Long Term Debt	11,929
Intangibles (Net)	0	Shareholders Equity	79,923
Other Assets	<u>1,178</u>	Retained Earnings	<u>-95,423</u>
Total Assets	<u>\$ 7,749</u>	Total Liabilities & Equity	<u>\$ 7,749</u>

Comments:

With the loss of two clients in the current quarter, the company has fallen behind its cash flow plan for the year by \$500K. Current capital will support operations into Q2 2003. Management and the investors are discussing terms and conditions for a new financing.

CHP II, L.P. Holdings:

Series E Convertible Preferred Stock	1,250,000 shares
Common Stock Equivalents	5,000,000 shares
Assigned Fair Value (5,000,000 CSE's x \$1.00 x 50%)	\$2,500,000
Investment Cost	\$5,000,000
Cost per Common Stock Equivalent	\$1.00
Series G Convertible Preferred Stock	378,948 shares
Assigned Fair Value (378,948 x \$2.00 x 50%)	\$378,948
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	\$47.2 million

Outlook:

In the current unfavorable environment, we are guarded about the prospects for IPNI.

MOBILE MEDICAL INDUSTRIES, INC.

Boca Raton, FL

{www.mobilemedicalind.com}

Provider of comprehensive, integrated home-based medical services.

Period Summary: 4th Quarter 2002

During the first full quarter of our involvement with this new investment, the company has performed well and maintained its steady growth. Revenue growth year-over-year was 26.2% for 2002 and the company ended the year on a \$32 million annual revenue run rate. The CEO search is progressing, with multiple strong candidates in process, but no lead candidate. The absence of a CEO has slowed progress somewhat, particularly on acquisitions and entry into new markets. Upon the successful completion of the CEO recruiting effort, the investors will contribute the \$9.75 million second stage of the August 2002 Series B financing. With this capital, the company will be able to support current operations for at least another 18-24 months and execute an aggressive expansion and acquisition program.

Results for the quarter were slightly behind plan due to one-time adjustments in the company's largest operating division. Margins were also negatively impacted by out of period direct cost adjustments for contracted services that were completed in December. We expect existing business revenue and margin improvement for Q1 2003.

Management is currently completing the 2003 budget for presentation to the board. Our expectation is for revenue growth to significantly exceed that of 2002. We continue to expect the company to be EBITDA positive by the end of 2003.

Mobile Medical is addressing a large and quickly growing market opportunity driven by both demographics and improved consumer awareness. MMI has a proven, scalable business model and has in place the infrastructure and compliance programs required in today's complex regulatory environment. The company has clearly established itself as a major player in the home health care market place. As the company enters 2003 and a new expansion stage, we are very excited about the prospects for our investment in Mobile Medical.

MOBILE MEDICAL INDUSTRIES, INC. (cont.)

FINANCIAL RESULTS: (\$000)

Overview: (FYE 12/31)

	<i>2001 Actual</i>	<i>2002 Preliminary*</i>
Revenues	23,911	29,947
Direct Expenses	10,967	16,024
SG&A	15,197	18,681
EBIT	-2,253	-4,758
Interest and Taxes	-1,760	-1,197
Net Income	-4,013	-5,955
EBITDA	-1,248	-4,140

* Subject to Audit

Last Three Months: Quarter Ended December 31, 2002

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	7,723	7,984	-261
Direct Expenses	4,310	4,072	-238
SG&A	4,329	4,579	+250
EBIT	-916	-667	-249
Interest and Taxes	-90	-123	+33
Net Income	-1,006	-790	-216

Fiscal Year-to-Date: Twelve Months Ended December 31, 2002

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	29,947	30,500	-553
Direct Expenses	16,024	17,080	+1,056
SG&A	18,681	18,605	-76
EBIT	-4,758	-5,185	+427
Interest and Taxes	-1,197	-750	-447
Net Income	-5,955	-5,935	-20

MOBILE MEDICAL INDUSTRIES, INC. (cont.)

Summary Balance Sheet as of December 31, 2002: (\$000)

Cash	\$ 6,723	Accounts Payable	\$ 1,113
Accounts Receivable	6,815	Accrued Expenses	2,277
Other Current Assets	<u>556</u>	Other Current Liabilities	<u>1,153</u>
Total Current Assets	14,094	Total Current Liabilities	4,543
Net PP&E	1,544	Long Term Debt	4,678
Acquired Goodwill (Net)	18,285	Shareholders Equity	27,869
Other Assets	<u>374</u>	Retained Earnings	<u>-2,793</u>
Total Assets	<u>\$34,297</u>	Total Liabilities & Equity	<u>\$34,297</u>

Comments:

The cash balance above does not reflect funds from the \$9.75 million second closing of the Series B round anticipated to occur in Q1 2003. This should provide the company with adequate capital resources to operate for at least another 24 months.

CHP II, L.P. Holdings:

Series B Convertible Preferred Stock	250,000 shares
Assigned Fair Value	Investment Cost
Investment Cost	\$2,500,000
Cost per Share	\$10.00
% Ownership (Full Dilution)	6.13%
Company Valuation at CHP II Cost	\$40.8 million
Company Valuation at Assigned Fair Value	\$40.8 million

Outlook:

The CEO recruiting effort has temporarily hindered the expansion into new markets and growth of the business. However, we are hopeful that the process should be completed soon and 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: 4th Quarter 2002

Financial results for 2002 show the company well behind expectations in software sales with little or no sign of a significant ramping to occur in the near future. Distributor and OEM relationships have failed to develop and revenue generating collaborations have also lagged plan due to longer than anticipated sales cycles. Management's 2003 budget shows the company surviving on current capital resources for the year. However, success is still dependent upon a significant ramping in software sales in the second half of the year. Management has been tasked to develop operating alternatives if product sales do not occur as forecast. The Board will be closely monitoring the company's performance during the next few months to ensure capital resources are conserved.

Financial results for Q4 2002 were well behind plan due primarily to underperformance in software sales. Collaborations revenue has also stagnated, with no new revenue generating projects expected before March 2003. Expenses are lower than plan primarily from lower headcount and consulting expenses. Cash burn exceeded plan for the quarter due to the decreased revenue base, but remains 10% ahead of plan for the year. At the direction of the Board, management has developed and implemented a reduced cash burn plan for 2003, including a headcount reduction effective in January.

Management is focusing on OEM/co-marketing alliances for distribution of GeneLinker™ software products. Discussions with two of the industry leaders are progressing, albeit slowly. We continue to work closely with our co-investors to explore strategic relationships with other bioinformatics companies. Under these circumstances, we felt it was prudent to reduce the carrying value for our investment by 50% to more accurately reflect the current value of the company. This has resulted in the recording of an unrealized loss of \$1,023,200 for the period.

MOLECULAR MINING CORPORATION (cont.)

FINANCIAL RESULTS: (\$000)

Overview: (FYE 12/31)

	<i>2001 Actual</i>	<i>2002 Preliminary*</i>	<i>2003 Budget</i>
Revenues	131	541	1,238
Cost of Sales	20	91	147
Operating Expenses	3,261	3,813	2,625
EBIT	-3,150	-3,363	-1,534
Interest and Taxes	211	51	7
Net Income	-2,939	-3,312	-1,527

* - Subject to Audit

Last Three Months: Quarter Ended December 31, 2002

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	123	1,790	-1,667
Cost of Sales	8	0	-8
Operating Expenses	758	2,043	+1,285
EBIT	-643	-253	-390
Interest and Taxes	8	23	-15
Net Income	-635	-230	-405

Fiscal Year-to-Date: Twelve Months Ended December 31, 2002

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	541	3,506	-2,965
Cost of Sales	91	0	-91
Operating Expenses	3,813	5,544	+1,731
EBIT	-3,363	-2,038	-1,325
Interest and Taxes	51	137	-86
Net Income	-3,312	-1,901	-1,411

MOLECULAR MINING CORPORATION (cont.)

Summary Balance Sheet as of December 31, 2002: (\$000)

Cash	\$ 1,505	Accounts Payable	\$ 16
Accounts Receivable	93	Accrued Expenses	150
Prepaid Expenses	<u>33</u>	Notes Payable	<u>0</u>
Total Current Assets	1,631	Total Current Liabilities	166
Net PP&E	383	Long Term Debt	0
Intangibles (net)	152	Shareholders Equity	9,990
Other Assets	<u>0</u>	Retained Earnings	<u>-7,900</u>
Total Assets	<u>\$ 2,166</u>	Total Liabilities & Equity	<u>\$ 2,166</u>

Comments:

Cash burn for the quarter was behind plan, but the company is currently 10% ahead of its cash forecast for the year. The company is currently burning ~ \$250K on average per month. At this rate, the company has adequate capital to support operations through the first half of 2003. Management has implemented a plan to reduce cash burn to less than \$150K per month.

CHP II, L.P. Holdings:

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

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

Outlook:

Expectations for return from our investment in Molecular Mining have been lowered by the lack of progress in generating sales momentum.

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

Glycomics Based Drug Discovery and Development

Period Summary: 4th Quarter 2002

Momenta had another solid quarter. Significant progress on product development, in corporate partner discussions, in personnel recruitment and on the intellectual property front all continued the company's strong early performance.

The company continues to make very rapid and significant progress with its cardiovascular program focused on novel forms of heparin. Management projects the company can be positioned for 2-3 INDs (Investigational New Drug Application) or their equivalent in 2003. On the basis of the progress in the heparin program, the company is in discussions with multiple potential corporate partners. The company believes that it will be in a position to strike a significant corporate alliance in the course of the next several quarters.

On the recruitment front, the company has now almost completed its senior management team and has met its staffing plan for the year. Recruiting goals for 2003 include the hiring of a head of R&D, plus director level hires in regulatory, clinical, pre-clinical and research.

The company continues to build on its intellectual property base and has 38 US issued patents and applications as of the end of the quarter. During the quarter, the company successfully completed a renegotiation of 3 licenses with MIT, significantly enhancing exclusivity. In addition, the company completed two other in-licensing agreements with prominent institutions in the field.

Overall progress and prospects at Momenta are excellent. At its current burn rate, the company will require additional financing in Q2 2003. Management is pursuing corporate partnership deals that would provide significant capital to the company in 2003. Additionally, the company has a commitment from CHP II and Polaris for a \$6.5 million financing and management is in discussions with a number of other venture investors for a Series B round. We are confident that the company will have no trouble attaining the necessary financing to support its development plan.

MOMENTA PHARMACEUTICALS, INC. (cont.)

FINANCIAL RESULTS: (\$000)

Overview: (FYE 12/31)

	<i>2002 Preliminary*</i>	<i>2003 Budget</i>
Revenues	0	100
Research Expenses	0	4,492
Operating Expenses	3,647	7,495
EBIT	-3,647	-11,887
Interest and Taxes	20	21
Net Income	-3,627	-11,866

* - Subject to Audit

Last Three Months: Quarter Ended December 31, 2002

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	0	0	0
Cost of Sales	0	0	0
Operating Expenses	1,130	1,100	-30
EBIT	-1,130	-1,100	-30
Interest and Taxes	2	4	-2
Net Income	-1,128	-1,096	-32

Fiscal Year-to-Date: Twelve Months Ended December 31, 2002

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	0	0	0
Cost of Sales	0	0	0
Operating Expenses	3,647	3,010	-637
EBIT	-3,647	-3,010	-637
Interest and Taxes	20	31	-11
Net Income	-3,627	-2,979	-648

MOMENTA PHARMACEUTICALS, INC. (cont.)

Summary Balance Sheet as of December 31, 2002: (\$000)

Cash	\$ 1,469	A/P & Accrued Expenses	\$ 472
Prepaid Expenses	23	Deferred Charges	0
Other Current Assets	<u>10</u>	Notes Payable	<u>0</u>
Total Current Assets	1,502	Total Current Liabilities	472
Net PP&E	870	Long Term Debt	0
Intangibles (net)	0	Shareholders Equity	6,190
Other Assets	<u>63</u>	Retained Earnings	<u>-4,227</u>
Total Assets	<u>\$ 2,435</u>	Total Liabilities & Equity	<u>\$ 2,435</u>

Comments:

At the current burn rate, the company will require additional financing by Q2 2003. Management has completed a \$1.2 million equipment leasing credit facility and the current investors have committed \$6.5 million in new financing. Combined, this additional capital would give the company 16 months of operational support at the current burn rate. Management is pursuing additional investors and/or corporate strategic partner financing to support a more aggressive development plan.

CHP II, L.P. Holdings:

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

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

Outlook:

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 our investment in Momenta.

PARKSTONE MEDICAL INFORMATION SYSTEMS, INC.

Weston, FL

{www.parkstonemed.com}

Handheld Formulary, Referral and Billing Management Tool for Physicians

Period Summary: 4th Quarter 2002

In December 2002, CHP II received a distribution from the ParkStone escrow totaling \$218,908. As this represents the final distribution of the cash proceeds from the sale of ParkStone's assets, we have reduced the carrying value for the ParkStone investment from \$136,417 to \$0, written off the remaining balance of \$2,461,693 on the secured note, recorded a realized loss for \$2,242,784 (\$2,461,693-\$218,908), and reversed the previously unrealized loss of \$2,325,276.

In addition to the funds received from the sale of the assets, the bankruptcy trustee intends to prosecute preference actions against certain of the company's vendors that could produce additional cash to distribute to the secured creditors. CHP II will receive 32.31% of any future distribution to the secured creditors.

CHP II, L.P. Holdings:

Percentage of Total Secured Interest	32.31%
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RIB-X PHARMACEUTICALS, INC.
New Haven, CT
{*www.rib-x.com*}

Structure-Based Design of Anti-Infective Agents

Period Summary: 4th Quarter 2002

The Rib-X team continued to make great progress during the quarter. The chemistry team is pursuing four programs in parallel to explore and identify the best series of compounds worthy of focused pursuit for mid-2003 nomination of a lead candidate for clinical development. During the quarter, one potential lead compound has demonstrated *in vivo* efficacy in mouse models in two distinct studies. While these animal studies were not originally budgeted to begin until the first quarter of 2003, management has done an excellent job of keeping expenses in-line and the company has met its operating and cash burn targets for the year.

The budget for 2003 supports an accelerated advancement of preclinical studies and positions Rib-X to remain on or ahead of its product development timeline, without exceeding its capital resources. Company goals for 2003 include; completing the senior management team (business development and chemistry), nomination of a program for developing a lead drug candidate to progress into clinical development, continuing to build the patent portfolio, more proactively pursue corporate partnership opportunities and the completion of a second round financing.

In December, the company closed on \$12.5 million in new financing from the current investors. CHP II contributed \$1.875 to this financing. The closing represented funds previously committed by the investor group at the time of the Series A investment in December 2001. These funds will support operations into 2004.

Given the great progress made to date, the board encouraged management to consider raising additional capital to the \$12.5 million invested by the current investors. As a result, the company has embarked in early 2003 to increase the second round financing to a total of \$30-\$35 million. The current investor group has agreed to invest up to \$23 million of the total round, if the company is successful in attracting new investors. The financing will be valued at the same price per share as the first round completed in December 2001. Management is hopeful of completing the effort by April 2003.

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	5,266	8,080
Operating Expenses	828	2,030	3,929
EBIT	-1,421	-7,296	-12,009
Interest and Taxes	-11	-71	-153
Net Income	-1,432	-7,367	-12,162

Last Three Months: Quarter Ended December 31, 2002

	<i>Actual</i>	<i>Budget*</i>	<i>Variance</i>
Revenues	0	0	0
R&D Expenses	1,994	2,055	+61
Operating Expenses	455	464	+9
EBIT	-2,449	-2,519	+70
Interest and Taxes	-76	-96	+20
Net Income	-2,525	-2,615	+90

Fiscal Year-to-Date: Twelve Months Ended December 31, 2002

	<i>Actual</i>	<i>Budget*</i>	<i>Variance</i>
Revenues	0	0	0
R&D Expenses	5,266	5,228	-38
Operating Expenses	2,030	2,026	-4
EBIT	-7,296	-7,254	-42
Interest and Taxes	-71	-81	+10
Net Income	-7,367	-7,335	-32

* Revised budget September 2002

RIB-X PHARMACEUTICALS, INC. (cont.)

Summary Balance Sheet as of December 31, 2002: (\$000)

Cash	\$ 12,055	Accounts Payable	\$ 1,015
Accounts Receivable	84	Accrued Expenses	0
Other Current Assets	<u>49</u>	Notes Payable Current	<u>437</u>
Total Current Assets	12,188	Total Current Liabilities	1,452
Net PP&E	6,293	Notes Payable	4,159
Intangibles (net)	0	Shareholders Equity	21,850
Other Assets	<u>258</u>	Retained Earnings	<u>-8,722</u>
Total Assets	<u>\$18,739</u>	Total Liabilities & Equity	<u>\$18,739</u>

Comments:

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

CHP II, L.P. Holdings:

Series A Convertible Preferred Stock	1,817,741 shares
Assigned Fair Value (cost)	\$1,125,000
Investment Cost	\$1,125,000
Cost per Share	\$0.6189
Series B Convertible Preferred Stock	3,029,569 shares
Assigned Fair Value (cost)	\$1,875,000
Investment Cost	\$1,875,000
Cost per Share	\$0.6189
% Ownership (Full Dilution)	10.4%
Company Valuation at CHP II Cost	\$28.8 million
Company Valuation at Assigned Fair Value	\$28.8 million

Outlook:

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