

CHP II, L.P.
QUARTERLY REPORT
4th QUARTER, 2003

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CHP II, L.P.
QUARTERLY REPORT
4th QUARTER, 2003
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TO: The Limited Partners

FROM: John K. Clarke

DATE: March 19, 2004

SUBJECT: Activity for the Quarter Ended December 31, 2003

During the quarter, the CHP II portfolio continued to make good progress. Operations at the portfolio company level for the most part met or exceeded expectations. With the prime positioning of Alnylam, Athena, Momenta and Replication, we are very optimistic about the prospects of providing some liquidity to our partners in 2004. The following are short summaries of activity for the quarter in each of our portfolio companies.

Alnylam Pharmaceuticals – Alnylam ended the year on a strong note, successfully recruiting a seasoned pharmaceutical executive to fill the Chief Operating Officer position, completing the Series C financing round with \$2.5 million from existing investors, and implementing a growth-oriented development plan for 2004. The major goals for 2004 include; advancement of its lead drug development program to pre-IND toxicology studies, completion of 2 more major strategic partnerships, a further consolidation and acceptance of their industry leading patent portfolio, and the completion of a new financing to support operations through 2005 and beyond.

AthenaHealth – Athena exhibited solid financial performance throughout 2003. Revenues for the year grew by 106% and sales grew by 53% over 2002. YTD revenues are within 4% of budget, with a very strong sales pipeline entering 2004. Gross margins exceeded plan, but higher operating expenses, primarily related to sales and marketing, led the company to miss its EBITDA goal. Operating cash flow was positive for the last two months of 2003. The company is on track towards attaining sustainable cash flow break even in the 1st quarter of 2004. The company achieved a key marketing win with its year-end #1 rating by KLAS (“Best in KLAS”), the J.D. Powers/Consumer Reports of the healthcare IT industry.

CardioOptics – The technology program initiated in May is producing very encouraging and consistent results. Activities are now focused towards creating a compelling case for potential strategic partners, enhancements to the visualization technology, and determining the path towards the initiation of human clinical studies. Multiple potential corporate partners have attended animal testing sessions to evaluate the technology. The strategy is to partner with high-profile industry leaders for distribution into the company’s initial clinical applications. The key milestones for 2004 are, raising additional capital, initiation of human testing, significant progress on the development of strategic marketing relationships, and submission and approval of 510(k) for an initial indication.

IntelliCare America – Financial performance for 2003 was generally strong. Revenues grew by 81% over 2002, but lagged plan primarily due a wind-down of activity with one large disease management client. Operationally the company performed well, with business unit margins showing a 32% improvement over 2002. Cash flow has run behind expectations, but is under \$150K per month. The primary goal for 2004 is the achievement of EBITDA profitability.

iPhysicianNet (IPNI) – As reported last quarter, IPNI has ceased operation and initiated an orderly liquidation of its assets. Company counsel has informed the equity investors that there would be no return on their investment. Accordingly, we have written-off the investment.

Mobile Medical – 2003 proved to be a transition year for Mobile Medical. The new senior management team, in place for less than half of the year, is focusing on improving current operating performance and pursuing growth opportunities. The company fell behind on its 2003 operating plan as forecast acquisitions for the first half of the year were delayed or not completed. However, progress made since June has the company well on its ways towards achieving sustainable positive cash flow and profitability in the first half of 2004.

Molecular Mining – The company has legally been dissolved, with the only remaining outstanding issue being the sale or licensing of the company's intellectual property. That process has begun and is expected to be completed in 2004. Overall, we expect a return of \$100-\$250K from our investment.

Momenta – Momenta made great progress in the quarter, completing a major pharmaceutical partnership, completing significant hires in the senior management team and beginning the manufacture of its lead drug compound in preparation for filing an abbreviated new drug application (ANDA). In October, the company completed a significant strategic partnership with Sandoz/Novartis that essentially finances the manufacture and distribution of its lead drug product, a generic form of heparin. The company remains on track to file its initial ANDA by mid-2004. Momenta has established terrific momentum entering 2004.

Replication Medical – During the quarter, the company began its first human trials in Europe, a 10 patient study in Germany headed by Dr. Rudi Bertagnoli, an internationally respected spine surgeon. Results thus far are encouraging. Patient enrollment appears on track and we expect to have preliminary clinical results in the next 6 months. U.S. based pre-clinical testing required prior to submission of an IDE application is also progressing, with the application on schedule to be filed in first half of 2004. Financially, the company has performed as expected. Industry interest in Replication's technology remains high, as does financial investor interest.

Rib-X Pharmaceuticals – As Rib-X ends its second year; the company continues its vigorous trek towards identification of a strong lead drug candidate. Two compounds now show enough promise to move into toxicology studies. Management remains optimistic that this series will produce a lead candidate(s) in the near term, keeping them on their clinical development plan for filing an IND in mid-2004. Financially, the company continues to perform ahead of budget in all areas and has sufficient capital to support its plan for at least two more years.

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

Deal Flow:

During the quarter, we have reviewed 79 business proposals. Current "A" deals include: Caregain, CodeRyte, Evolution Health, Orthodontic Education Company, SkinMedica, TYRX Pharma, and Vascular Insights. An alphabetical list of all deals received with a brief business description, deal source and deal status is included in the Appendix to this report.

Financial Results:

There were no capital calls during the period, cumulative capital contributions stand at \$58.7 million or 50% of total commitments. Investing activity was limited to the \$464,015 follow-on investment for Alnylam. Cash at the end of the period was \$86,384 and net assets totaled \$37.6 million. Net loss for the quarter was \$757,546, primarily consisting of \$746K in net operating expenses. The \$5.7 million realized loss related to iPhysicianNet was offset by the reversal of the previously unrealized loss of the same amount.

Looking forward:

We were delighted to host many of you at the Limited Partner Annual Meeting in New York on November 19, 2003. We are confident that the company presentations at the meeting have demonstrated to you that the value potential and momentum in the portfolio.

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, 2003

	Three Months Ended 12/31/03	Twelve Months Ended 12/31/03
Revenue:		
Non Portfolio Income	\$17	\$7,324
Interest-Equivalent Amounts	0	0
Expenses:		
Management Fee	734,217	2,936,869
Professional Fees	4,750	22,528
NVCA Dues & Expenses	0	5,173
Amortization of Organization Costs	0	0
Annual Meeting & Miscellaneous	12,521	12,672
Total Expenses	751,488	2,977,242
Net Operating Expense	(751,471)	(2,969,918)
Investment Income	4,925	18,054
Net Income Before Gains (Losses)	(746,546)	(2,951,864)
Realized Gains (Losses)	(5,757,897)	(5,757,897)
Unrealized Gains (Losses)	5,756,897	6,552,294
Net Income (Loss)	(\$747,546)	(\$2,157,467)

CHP II, L.P.
Balance Sheet
As of December 31, 2003

ASSETS:	Period Ended 12/31/03	Period Ended 09/30/03
Cash and Short-Term Investments	\$86,384	\$1,228,433
Accrued Interest	40,671	35,747
Venture Capital Investments (cost basis \$39,741,960)	37,261,724	36,868,463
Organization Costs (Net of Accum. Amortization)	0	0
Other Assets	<u>279,125</u>	<u>279,125</u>
	<u><u>\$37,667,904</u></u>	<u><u>\$38,411,768</u></u>
 LIABILITIES & CAPITAL:		
Accrued Expenses and Payables	\$31,521	\$27,838
Partners' Accounts	<u>37,636,383</u>	<u>38,383,930</u>
Total Liabilities and Capital	<u><u>\$37,667,904</u></u>	<u><u>\$38,411,768</u></u>

CHP II, L.P.
Footnotes
As of December 31, 2003

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

Note 2 – Net Organization Costs	<u>12/31/03</u>	<u>9/30/03</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>12/31/03</u>	<u>9/30/03</u>
GP Promissory Note Principal	\$279,125	\$279,125
Offset against Partners' Capital	<u>0</u>	<u>0</u>
Total	<u><u>\$279,125</u></u>	<u><u>\$279,125</u></u>

Note 4 – Accrued Expenses	<u>12/31/03</u>	<u>09/30/03</u>
Professional Fees	\$19,000	\$14,631
NVCA Dues & Annual Meeting	12,521	5,207
Accrued Management Fees	<u>0</u>	<u>8,000</u>
Total	<u><u>\$31,521</u></u>	<u><u>\$27,838</u></u>

CHP II, L.P.
Statement of Cash Flows
For the Period Ended December 31, 2003

	Three Months Ended 12/31/03	Twelve Months Ended 12/31/03
Cash flows from operating activities		
Net Income Before Gains (Losses)	(\$746,546)	(\$2,951,864)
Adjustments to reconcile net income before gains (losses) to net cash used in operating activities:		
Accrued Interest Receivable	(4,925)	(18,054)
Accrued Organization Costs	0	0
Other Assets	0	0
Accrued Expenses & Payables	3,683	13,521
Net Cash used in Operating Activities	(747,788)	(2,956,397)
Cash flows from investing activities		
Purchases of venture capital investments	(464,015)	(11,189,017)
Sales of venture capital investments	69,754	69,754
Net cash used in investing activities	(394,261)	(11,119,263)
Cash flows from financing activities		
Cash contributions by partners	0	13,147,250
Cash distribution to partners	0	0
Net cash provided by financing activities	0	13,147,250
 Net Change in Cash and Short Term Investments	 (1,142,049)	 (928,410)
Cash and Short Term Investments, beginning	1,228,433	1,014,794
Cash and Short Term Investments, ending	\$86,384	\$86,384

CHP II, L.P.
Schedule of Venture Capital Investments
As of December 31, 2003

Company	Debt	Equity	Total Cost	Fair Value	Unrealized Gain (Loss)
Alnylam Pharmaceuticals	\$0	\$7,564,015	\$7,564,015	\$13,364,015	\$5,800,000
AthenaHealth, Inc.	0	5,000,001	5,000,001	5,000,001	0
Cardio-Optics, Inc.	0	2,000,000	2,000,000	2,000,000	0
IntelliCare America, Inc.	0	4,000,000	4,000,000	2,464,585	(1,535,415)
Mobile Medical Industries	0	4,000,000	4,000,000	4,000,000	0
Molecular Mining Corp.	0	1,439,306	1,439,306	30,246	(1,409,060)
Momenta Pharmaceuticals, Inc.	0	3,875,002	3,875,002	3,902,877	27,875
Replication Medical	0	2,500,000	2,500,000	2,500,000	0
Rib-X Pharmaceuticals	0	4,000,000	4,000,000	4,000,000	0
Totals	\$0	\$34,378,324	\$34,378,324	\$37,261,724	(\$2,883,400)

CHP II, L.P.
Statement of Partners' Contributions Accounts
As of December 31, 2003

	Partners' Total Subscription	Contributions Account 09/30/03	Period Contribution in Cash	Period Contribution by Note	Contributions Account 12/31/03	Partners' Outstanding Subscription
<u>Limited Partners</u>						
State Teachers Ret. System of Ohio	\$30,000,000	\$15,006,609	\$0	\$0	\$15,006,609	\$14,993,391
Nassau Capital Funds	10,000,000	5,002,203	0	0	5,002,203	4,997,797
Robert Wood Johnson Foundation	10,000,000	5,002,203	0	0	5,002,203	4,997,797
Northwestern University	10,000,000	5,002,203	0	0	5,002,203	4,997,797
LACERA	10,000,000	5,002,203	0	0	5,002,203	4,997,797
Textron Master Trust	10,000,000	5,002,203	0	0	5,002,203	4,997,797
Wachovia Investors, Inc. (First Union)	7,500,000	3,751,653	0	0	3,751,653	3,748,347
Pension Commissioners of City of LA	5,000,000	2,501,103	0	0	2,501,103	2,498,897
Princess Private Equity	5,000,000	2,501,103	0	0	2,501,103	2,498,897
Hillside Capital Incorporated	3,500,000	1,750,768	0	0	1,750,768	1,749,232
Hamilton Lane-Carpenters Fund	3,000,000	1,500,661	0	0	1,500,661	1,499,339
UNISYS Master Trust	3,000,000	1,500,661	0	0	1,500,661	1,499,339
Venture Investment Associates III, L.P.	2,300,000	1,150,507	0	0	1,150,507	1,149,493
Fleet Growth Resources (Summit)	2,000,000	1,000,441	0	0	1,000,441	999,559
S.R. One Limited	2,000,000	1,000,441	0	0	1,000,441	999,559
Pharma BioDevelopment, Inc.	2,000,000	1,000,441	0	0	1,000,441	999,559
Private Equity Holdings II, Ltd.	1,000,000	500,219	0	0	500,219	499,781
	\$116,300,000	\$58,175,622	\$0	\$0	\$58,175,622	\$58,124,378
<u>General Partner</u>						
CHP II Management, LLC.	1,174,747	587,633	0	0	587,633	587,114
Total Partnership	\$117,474,747	\$58,763,255	\$0	\$0	\$58,763,255	\$58,711,492

CHP II, L.P.
Statement of Partners' Distributive Share of Net Assets
For the Period Ended December 31, 2003

	Private Securities	Public Securities	Cash	Other Assets	Total Assets	Accrued Expenses	Net Assets 09/30/03
<u>Limited Partners</u>							
State Teachers Ret. System of Ohio	\$9,515,678	\$0	\$22,060	\$81,668	\$9,619,406	(\$8,050)	\$9,611,356
Nassau Capital Funds	3,171,893	0	7,353	27,223	3,206,469	(2,683)	3,203,786
Robert Wood Johnson Foundation	3,171,893	0	7,353	27,223	3,206,469	(2,683)	3,203,786
Northwestern University	3,171,893	0	7,353	27,223	3,206,469	(2,683)	3,203,786
LACERA	3,171,893	0	7,353	27,233	3,206,469	(2,683)	3,203,786
Textron Master Trust	3,171,893	0	7,353	27,223	3,206,469	(2,683)	3,203,786
Wachovia Investors, Inc. (First Union)	2,378,921	0	5,515	20,416	2,404,852	(2,012)	2,402,840
Pension Commissioners of City of LA	1,585,948	0	3,677	13,610	1,603,235	(1,342)	1,601,893
Princess Private Equity	1,585,948	0	3,677	13,610	1,603,235	(1,342)	1,601,893
Hillside Capital Incorporated	1,110,159	0	2,574	9,527	1,122,260	(939)	1,121,321
Hamilton Lane-Carpenters Fund	951,566	0	2,206	8,167	961,939	(805)	961,134
UNISYS Master Trust	951,566	0	2,206	8,167	961,939	(805)	961,134
Venture Investment Associates III, L.P.	729,535	0	1,692	6,260	737,487	(617)	736,870
Fleet Growth Resources (Summit)	634,378	0	1,471	5,445	641,294	(537)	640,757
S.R. One Limited	634,378	0	1,471	5,445	641,294	(537)	640,757
Pharma BioDevelopment, Inc.	634,378	0	1,471	5,445	641,294	(537)	640,757
Private Equity Holdings II, Ltd.	317,187	0	735	2,722	320,644	(268)	320,376
	\$36,889,107	\$0	\$85,520	\$316,597	\$37,291,224	(\$31,206)	\$37,260,018
<u>General Partner</u>							
CHP II Management, LLC.	372,617	0	864	3,199	376,680	(315)	376,365
Total Partnership	\$37,261,724	\$0	\$86,384	\$319,796	\$37,667,904	(\$31,521)	\$37,636,383

CHP II, L.P.
Statement of Partners' Capital Accounts *
For the Twelve Months Ended December 31, 2003

<u>Limited Partner</u>	Partners' Capital 01/01/03	Net Capital Contribution	Non-Portfolio Income	Net Investment Income	Realized Gains (Losses)	Total Income	Unrealized Gains (Losses)	Distributions	Partners' Capital 12/31/03
State Teachers Ret. System of Ohio	\$6,788,824	\$3,373,492	\$1,870	(\$755,699)	(\$1,470,416)	(\$2,224,245)	\$1,673,285	\$0	\$9,611,356
Nassau Capital Funds	2,262,943	1,124,497	623	(251,900)	(490,139)	(741,416)	557,762	0	3,203,786
Robert Wood Johnson Foundation	2,262,943	1,124,497	623	(251,900)	(490,139)	(741,416)	557,762	0	3,203,786
Northwestern University	2,262,943	1,124,497	623	(251,900)	(490,139)	(741,416)	557,762	0	3,203,786
Textron Master Trust	2,262,943	1,124,497	623	(251,900)	(490,139)	(741,416)	557,762	0	3,203,786
LACERA	2,262,943	1,124,497	623	(251,900)	(490,139)	(741,416)	557,762	0	3,203,786
Wachovia Investors (First Union)	1,697,206	843,373	468	(188,925)	(367,604)	(556,061)	418,322	0	2,402,840
Pension Commissioners-City of LA	1,131,470	562,249	313	(125,950)	(245,070)	(370,707)	278,881	0	1,601,893
Princess Private Equity	1,131,470	562,249	313	(125,950)	(245,070)	(370,707)	278,881	0	1,601,893
Hillside Capital Incorporated	792,027	393,573	218	(88,165)	(171,549)	(259,496)	195,217	0	1,121,321
Hamilton Lane-Carpenters Fund	678,880	337,350	187	(75,570)	(147,042)	(222,425)	167,329	0	961,134
UNISYS Master Trust	678,880	337,350	187	(75,570)	(147,042)	(222,425)	167,329	0	961,134
Venture Investment Associates III	520,475	258,636	143	(57,937)	(112,732)	(170,526)	128,285	0	736,870
Fleet Growth Resources	452,590	224,898	125	(50,380)	(98,028)	(148,283)	111,552	0	640,757
S.R. One Limited	452,590	224,898	125	(50,380)	(98,028)	(148,283)	111,552	0	640,757
Pharma BioDevelopment, Inc.	452,590	224,898	125	(50,380)	(98,028)	(148,283)	111,552	0	640,757
Private Equity Holdings II, Ltd.	226,293	112,449	62	(25,190)	(49,014)	(74,142)	55,776	0	320,376
	\$26,318,010	\$13,077,900	\$7,251	(\$2,929,596)	(\$5,700,318)	(\$8,622,663)	\$6,486,771	\$0	\$37,260,018
<u>General Partner</u>									
CHP II Management, LLC.	49,465	69,350	73	(29,592)	(57,579)	(87,098)	65,523	0	97,240
Total Partnership	\$26,367,475	\$13,147,250	\$7,324	(\$2,959,188)	(\$5,757,897)	(\$8,709,761)	\$6,552,294	\$0	\$37,357,258

*-Statement of Partners' Capital 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, 2003

	Partners' Contribution Account	Non-Portfolio Income	Net Investment Income	Realized Gains (Losses)	Total Income	Unrealized Gains (Losses)	Distributions	Partners' Account
<u>Limited Partners</u>								
State Teachers Ret. System of Ohio	\$15,006,609	\$16,707	(\$2,828,271)	(\$3,320,034)	(\$6,131,598)	\$736,345	\$0	\$9,611,356
Nassau Capital Funds	5,002,203	5,570	(942,757)	(1,106,679)	(2,043,866)	245,449	0	3,203,786
Robert Wood Johnson Foundation	5,002,203	5,570	(942,757)	(1,106,679)	(2,043,866)	245,449	0	3,203,786
Northwestern University	5,002,203	5,570	(942,757)	(1,106,679)	(2,043,866)	245,449	0	3,203,786
LACERA	5,002,203	5,570	(942,757)	(1,106,679)	(2,043,866)	245,449	0	3,203,786
Textron Master Trust	5,002,203	5,570	(942,757)	(1,106,679)	(2,043,866)	245,449	0	3,203,786
Wachovia Investors, Inc. (First Union)	3,751,653	4,178	(707,068)	(830,009)	(1,532,899)	184,086	0	2,402,840
Pension Commissioners of City of LA	2,501,103	2,785	(471,379)	(553,341)	(1,021,935)	122,725	0	1,601,893
Princess Private Equity	2,501,103	2,785	(471,379)	(553,341)	(1,021,935)	122,725	0	1,601,893
Hillside Capital Incorporated	1,750,768	1,948	(329,965)	(387,338)	(715,355)	85,908	0	1,121,321
Hamilton Lane-Carpenters Fund	1,500,661	1,671	(282,828)	(332,004)	(613,161)	73,634	0	961,134
UNISYS Master Trust	1,500,661	1,671	(282,828)	(332,004)	(613,161)	73,634	0	961,134
Venture Investment Associates III	1,150,507	1,281	(216,835)	(254,536)	(470,090)	56,453	0	736,870
Fleet Growth Resources (Summit)	1,000,441	1,114	(188,551)	(221,336)	(408,773)	49,089	0	640,757
S.R. One Limited	1,000,441	1,114	(188,551)	(221,336)	(408,773)	49,089	0	640,757
Pharma BioDevelopment, Inc.	1,000,441	1,114	(188,551)	(221,336)	(408,773)	49,089	0	640,757
Private Equity Holdings II, Ltd.	500,219	557	(94,276)	(110,668)	(204,387)	24,544	0	320,376
<u>General Partner</u>								
CHP II Management, LLC.	\$58,175,622	\$64,775	(\$10,964,267)	(\$12,870,678)	(\$23,770,170)	\$2,854,566	\$0	\$37,260,018
Total Partnership	587,633	655	(110,751)	(130,006)	(240,102)	28,834	0	376,365
	\$58,763,255	\$65,413	(\$11,075,018)	(\$13,000,684)	(\$24,010,272)	\$2,883,400	\$0	\$37,636,383

TO: The Limited Partners

FROM: John J. Park

DATE: January 15, 2004

SUBJECT: Portfolio Valuations for December 31, 2003

Investment securities held by CHP II, L.P. (the “Partnership”) have been valued in accordance with the Standard Valuation Policy of the Partnership. In accordance with the Policy, we propose to value restricted securities at cost, until subsequent events of a significant nature indicate the need for a change. This memorandum delineates the portfolio valuation calculations proposed by the General Partner for those investments not valued at cost, as of December 31, 2003.

ALNYLAM PHARMACEUTICALS – In July 2002, Alnylam completed a \$15.4 million first round financing at \$2.50 per share. New investor Atlas Ventures led the financing, with CHP II contributing \$3.25 million. In July 2003, the company completed a \$24.5 million financing, also priced at \$2.50 per share, in conjunction with the acquisition of RiboPharma AG. The financing included \$7.9 million from one new investor, Abingworth Capital, with CHP II investing \$2.85 million. In September 2003, Alnylam completed a strategic partnership with Merck & Co., including a \$10 million equity investment by Merck priced at \$5.00 per share. In accordance with the valuation policy of CHP II, due to the strategic nature of the Merck investment, we propose to value our Series A and Series B investment at \$3.75 per share, representing 50% of the increase from the previous value of \$2.50 per share and the Merck price of \$5.00 per share. In October 2003, the investor syndicate invested \$2.5 million alongside the Merck investment, with CHP II investing \$464K. This Series C investment is valued at its cost of \$5.00 per share. This results in a total valuation for Alnylam of \$13,364,015, with an unrealized gain of \$5,800,000 on our cost basis of \$7,564,015 as of December 31, 2003. Including the \$464K new investment during the period, this valuation represents an increase of \$464,015 from the valuation as of September 30, 2003.

Value Computation:

Series A Convertible Preferred Stock	
1,000,000 shares x \$3.75	\$ 3,750,000
Series B Convertible Preferred Stock	
2,440,000 shares x \$3.75	9,150,000
Series C Convertible Preferred Stock	
92,803 shares x \$5.00	= 464,015
	<u>\$13,364,015</u>

CHP II, L.P.

Portfolio Valuations as of December 31, 2003

Page 2 of 3

INTELLICARE – In May 2002, IntelliCare completed a \$10.15 million second round financing at \$0.1923 per share, valuing the company at \$20.15 post-money. New investor Canaan Partners led the financing, with CHP II contributing \$1 million. We propose to value our investment on the basis of this financing, resulting in an unrealized loss of \$1,535,415 on our cost basis of \$4,000,000 as of December 31, 2003. This valuation represents no change from the valuation as of September 30, 2003.

Value Computation:

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

IPHYSICIANNET - In September 2000, iPhysicianNet completed a \$36 million financing led by KBL Healthcare Ventures and Patricof Ventures, with CHP II contributing \$5 million. Per the terms of the financing, on December 31, 2001 the conversion price for the shares was adjusted from \$4.00 to \$1.00, effectively reducing our cost per share to \$1.00. In February 2002, the company completed an \$11 million insider led financing that valued the company at \$94 million post-money. CHP II invested \$757,897, representing our pro-rata share of the financing. At the end of 2002, we reduced the carrying value for the iPhysicianNet investment to 50% of cost due to lagging operational results and difficulty attaining long-term financing. By the end of Q2 2003, an analysis of the company's financial requirements based on operational forecasts from management led us to further reduce the carrying value to a minimal value of \$1,000, until such time as the company had raised additional financing or was sold. In August 2003, management was unable to attain sufficient financial support to maintain operations and the company began an orderly liquidation of its assets. Due to the level of liabilities outstanding, the equity holders will receive no return from the liquidation, which was complete by the end of 2003. Accordingly, in Q4 of 2003, we have written the value for the investment to \$0, recorded a realized loss totaling \$5,757,897, and reversed the previously unrealized loss of \$5,756,897 related to the iPhysicianNet investment. As a result of the write-off this quarter, the valuation decreased \$1,000 from the valuation as of September 30, 2003.

CHP II, L.P.**Portfolio Valuations as of December 31, 2003****Page 3 of 3**

MOLECULAR MINING - On May 10, 2001, Molecular Mining completed an \$8.3 million financing at \$2.0464 per share, valuing the company at \$18.3 million post-money. A new investor, Sofinov, led this financing, with CHP II investing \$1.5 million. During the first quarter of 2003, as the result of an inability to attain additional outside financing and the lack of sufficient operational progress, management and the Board of Directors decided to cease operations and sell the assets of the company. Consequently, we reduced the carrying value of our investment to \$100,000, reflecting a conservative estimate of current value. In December 2003, the company distributed \$69,754 to CHP II, representing our share of the initial distribution of liquidation proceeds. As a result, we have reduced the carrying value for the investment to \$30,246 (\$100,000 - \$69,754). At this valuation, our investment shows an unrealized loss of \$1,409,060 on a cost basis of \$1,439,306 as of December 31, 2003. Including the funds received during the quarter, this valuation represents a decrease of \$69,754 from our carrying value as of September 30, 2003.

Value Computation:

$$\begin{array}{rcl} \text{Series B Convertible Preferred Stock} & & \\ 737,422 \text{ shares} & = & \underline{\underline{\$30,246}} \end{array}$$

MOMENTA PHARMACEUTICALS – In May 2003, Momenta completed a \$19 million second round financing at \$2.95 per share, valuing the company at \$39.5 million post-money. New investors Atlas Ventures and MVM Limited led the financing, with CHP II contributing \$2.875 million. We propose to value our investment on the basis of this financing, resulting in an unrealized gain of \$27,875 on our cost basis of \$3,875,002 as of December 31, 2003. This valuation represents no change from our carrying value as of September 30, 2003.

Value Computation:

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

CHP II, L.P.
Portfolio Investment Valuation Summary
For the Quarter ended December 31, 2003

<u>Portfolio Company</u>	<u>Investment</u>	<u>Fair Value</u> <u>12/31/03</u>	<u>Fair Value</u> <u>09/30/03</u>	<u>Change from</u> <u>Prior Quarter</u>	<u>Reason for Change</u>
Alnylam Pharmaceuticals, Inc.	\$7,564,015	\$13,364,015	\$12,900,000	\$464,015	Follow-on Investment (note 1)
AthenaHealth, Inc.	\$5,000,001	\$5,000,001	\$5,000,001	\$0	
CardioOptics, Inc.	\$2,000,000	\$2,000,000	\$2,000,000	\$0	
Intellicare America, Inc.	\$4,000,000	\$2,464,585	\$2,464,585	\$0	Write-off of Investment (note 2)
IPhysicianNet, Inc.	\$0	\$0	\$1,000	(\$1,000)	
Mobile Medical Industries	\$4,000,000	\$4,000,000	\$4,000,000	\$0	Partial Receipt of Disolution Proceeds (note 3)
Molecular Mining Corporation	\$1,439,306	\$30,246	\$100,000	(\$69,754)	
Momenta Pharmaceuticals	\$3,875,002	\$3,902,877	\$3,902,877	\$0	
Replication Medical	\$2,500,000	\$2,500,000	\$2,500,000	\$0	
Rib-X Pharmaceuticals	\$4,000,000	\$4000,000	\$4,000,000	\$0	
Total Portfolio	\$34,378,324	\$37,261,724	\$36,868,463	\$393,261	

1. In conjunction with the Merck & Co. strategic partnership and equity investment completed in September, the current investor group for Alnylam decided to invest \$2.5 million alongside of the Merck investment. Cardinal's prorata Share of this financing was \$464K. The financing was priced at \$5.00 per share and will be valued at cost.
2. During the period, it was determined that the equity investors will receive no return from the liquidation of the assets of iPhysicianNet. Accordingly, we have reduced the carrying value from \$1,000 to \$0, recorded a realized loss of \$5,757,897 on the investment, and reversed the previously unrealized loss totaling \$5,756,897.
3. In December, CHP II received an initial distribution from the asset liquidation proceeds of Molecular Mining totaling \$69,754. Accordingly, we have reduced the carrying value for our investment from \$100,000 to \$30,246 and reduced the cost basis for the investment by \$69,754. The company will be distributing additional proceeds over the coming 12-18 months.

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

Therapeutics Based on the Novel Biological Mechanism of RNA Interference

Period Summary: 4th Quarter 2003

Alnylam ended the year on a strong note, successfully recruiting a seasoned pharmaceutical executive to fill the Chief Operating Officer position, completing the Series C financing round with \$2.5 million from the existing investors, and the establishment of a growth-oriented business development plan for 2004.

In November, the company recruited Mr. Barry Greene as Chief Operating Officer. Mr. Greene has nearly 20 years of experience in leadership, management, and business roles with premier pharmaceutical and biotechnology companies. Just prior to joining Alnylam, Mr. Greene was general manager of oncology at Millennium Pharmaceuticals where he led the company's global strategy and execution for its oncology business, culminating in the successful approval and launch of VELCADETM earlier this year. Prior to joining Millennium, he served at various senior management positions in marketing, customer services and strategic integration for AstraZeneca; and as the partner at Andersen Consulting responsible for the pharmaceutical/biotechnology marketing and sales practice.

In October, the existing investor syndicate invested \$2.5 million along the same terms as the equity investment made by Merck in September. The investment was in the form of a Series C Convertible Preferred priced at \$5 per share. CHP II invested \$464,015 as its prorata share. All other members of the investor syndicate participated. The company currently has \$23.5 million in cash. Management's financial forecast shows the average monthly cash burn building to almost \$2 million by mid-2004. To support this growth, the company will likely look to raise additional capital during 2004. Management is pursuing multiple avenues for attaining financing including; strategic partnerships, an asset based credit facility, a mezzanine level financing, and an initial public offering.

In review, 2003 was a year of significant accomplishment for Alnylam. In July, the company completed a merger with European based Ribopharma AG and a concurrent \$24.6 million financing. The combination consolidated some of the fundamental patents in the field and enhanced Alnylam's position for strategic relationships with major pharmaceutical companies. Alnylam also completed a strategic alliance with Merck & Co., the first major collaboration between a leading pharmaceutical company and an RNAi therapeutics company. With a strong management team, a solid IP platform, and a strong investor syndicate, Alnylam has positioned itself as the clear leader in its field. The chief goals for 2004 include; advancement of its lead drug development program to pre-IND toxicology studies, completion of 2 more major strategic partnerships, a further consolidation and acceptance of their industry leading patent portfolio, and the completion of a new financing.

ALNYLAM PHARMACEUTICALS (cont.)

FINANCIAL RESULTS: (\$000)

Overview: (FYE 12/31)

	<i>2002 Actual</i>	<i>2003 Actual</i>	<i>2004 Budget</i>
Revenues	0	176	7,561
R&D Expenses	2,634	10,264	17,491
SG&A Expenses	1,416	6,903	6,106
EBIT	-4,050	-16,991	-16,036
Interest and Taxes	86	24	-201
Net Income	-3,964	-16,967	-16,237

Last Three Months: Quarter Ended December 31, 2003

	<i>Actual</i>	<i>Budget*</i>	<i>Variance</i>
Revenues	176	0	+176
R&D Expenses	5,672	1,796	-3,876
SG&A Expenses	1,973	2,179	+206
EBIT	-7,469	-3,975	-3,494
Interest and Taxes	-34	5	-39
Net Income	-7,503	-3,970	-3,533

Fiscal Year-to-Date: Twelve Months Ended December 31, 2003

	<i>Actual</i>	<i>Budget*</i>	<i>Variance</i>
Revenues	176	5,000	-4,824
R&D Expenses	10,264	5,800	-4,464
SG&A Expenses	6,903	7,477	+574
EBIT	-16,991	-8,277	-8,714
Interest and Taxes	24	46	-22
Net Income	-16,967	-8,231	-8,736

* - 2003 Budget does not reflect the acquisition of RiboPharma AG

ALNYLAM PHARMACEUTICALS (cont.)

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

Cash	\$ 23,566	Accounts Payable	\$ 1,510
Accounts Receivable	0	Accrued Expenses	1,443
Other Current Assets	<u>623</u>	Deferred Revenue	<u>333</u>
Total Current Assets	24,189	Total Current Liabilities	3,286
Net PP&E	4,756	Long Term Debt - Lease line	1,859
Intangibles (Net)	3,878	Shareholders Equity	59,556
Other Assets	<u>2,360</u>	Retained Earnings	<u>-29,518</u>
Total Assets	<u>\$35,183</u>	Total Liabilities & Equity	<u>\$35,183</u>

Comments:

Monthly cash burn is forecast to scale to almost \$2 million by mid-2004. Current capital is sufficient to support operations through Q1 of 2005. Management is exploring multiple avenues of financing and the possible spin-off of some operations to manage cash burn.

CHP II, L.P. Holdings:

Series A Convertible Preferred Stock	1,000,000 shares
Assigned Fair Value (1,000,000 x \$3.75)	\$3,750,000
Investment Cost	\$1,000,000
Cost per Share	\$1.00
Series B Convertible Preferred Stock	2,440,000 shares
Assigned Fair Value (2,440,000 x \$3.75)	\$9,150,000
Investment Cost	\$6,100,000
Cost per Share	\$2.50
Series C Convertible Preferred Stock	92,803 shares
Assigned Fair Value	Investment Cost
Investment Cost	\$464,015
Cost per Share	\$5.00
% Ownership (Full Dilution)	12.0%
Company Valuation at CHP II Cost	\$63.0 million
Company Valuation at Assigned Fair Value	\$110.0 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 2003

Athena exhibited solid financial performance throughout 2003. Revenues for the year grew by 106% and sales grew by 53% over 2002. YTD revenues are within 4% of budget, with a very strong sales pipeline entering 2004. Gross margins exceeded plan, but higher operating expenses, primarily related to sales and marketing, led the company to miss its EBITDA goal. Operating cash flow was positive for the last two months of 2003. The company is on track towards attaining sustainable cash flow break even in the 1st quarter of 2004. The company achieved a key marketing win with its year-end #1 rating by KLAS ("Best in KLAS"), the J.D. Powers/Consumer Reports of the healthcare information technology industry.

Revenue variance for 2003 is attributable to lower than expected sales in the first quarter of the year. Margins have shown considerable improvement over the past 9 months and exceeded plan for the year. Expenses are higher than plan primarily due to accelerated sales and marketing expenditures in Q4 of 2003. With the completion of a new \$6 million credit facility in December, the company has more than adequate capital resources for at least the next 18-24 months. We believe that Athena will be financially self-sustaining until a liquidity event for the investors.

Looking ahead, the contract base has reached \$40 million in annual revenue, with \$32 million installed. The 2004 budget shows revenues exceeding \$40 million, with the company achieving sustainable profitability in July 2004. The company has a strong balance sheet and enters 2004 as an attractive candidate for a liquidity event in the next 12-18 months with its robust recurring revenue model and strong margins. As the year came to a close, the company received an unsolicited offer from an independent investor for a potential \$5 million equity investment at a pre-money value of \$142 million. We remain very excited about the prospects for the Athena investment.

ATHENAHEALTH, INC. (cont.)

FINANCIAL RESULTS: (\$000)

Overview: (FYE 12/31)

	<i>2001 Actual</i>	<i>2002 Actual</i>	<i>2003 Actual*</i>	<i>2004 Budget</i>
Revenues	3,459	11,985	24,671	40,196
Direct Expenses	6,480	10,137	16,148	22,679
SG&A	9,278	8,860	10,496	13,737
EBITDA	-12,299	-7,012	-1,973	-3,780
Depreciation	1,636	2,493	2,867	3,500
Interest and Taxes	855	-55	-443	-837
Net Income	-13,080	-9,560	-5,283	-557

* Subject to Audit

Last Three Months: Quarter Ended December 31, 2003

	<i>Actual</i>	<i>Budget**</i>	<i>Variance</i>
Revenues	7,520	8,155	-635
Direct Expenses	4,548	4,726	+178
SG&A	3,063	2,822	-241
EBITDA	-91	607	-698
Depreciation	745	840	+95
Interest and Taxes	-183	-137	-46
Net Income	-1,019	-370	-649

Fiscal Year-to-Date: Twelve Months Ended December 31, 2003

	<i>Actual</i>	<i>Budget**</i>	<i>Variance</i>
Revenues	24,671	25,706	-1,035
Direct Expenses	16,148	16,897	+749
SG&A	10,496	9,813	-683
EBITDA	-1,973	-1,004	-969
Depreciation	2,867	3,174	+307
Interest and Taxes	-443	-432	-11
Net Income	-5,283	-4,610	-673

** Budget Revised – February 2003

ATHENAHEALTH, INC. (cont.)

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

Cash	\$ 9,108	A/P and Accrued Expenses	\$ 3,530
Accounts Receivable	3,698	Deferred Revenue	2,315
Other Current Assets	<u>614</u>	Current Portion of Debt	<u>3,297</u>
Total Current Assets	13,420	Total Current Liabilities	9,142
Net PP&E	3,231	Long Term Debt	7,330
Intangibles (Net)	2,032	Shareholders Equity	43,341
Other Assets	<u>260</u>	Retained Earnings	<u>-40,870</u>
Total Assets	<u>\$18,943</u>	Total Liabilities & Equity	<u>\$18,943</u>

Comments:

Operating cash burn for the year was \$250K higher than forecast. With the closing of the new sub-debt facility and an increase to its working capital line, the company has a strong balance sheet entering 2004. The company will be cash flow breakeven by the end of the first quarter of 2004.

CHP II, L.P. Holdings:

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

% Ownership (Full Dilution) 6.2%

Company Valuation at CHP II Cost	\$81.3 million
Company Valuation at Assigned Fair Value	\$81.3 million

Outlook:

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

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

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

Period Summary: 4th Quarter 2003

Inconsistent results in animal testing during February and March of 2003, led management to pare operations to concentrate solely on perfecting the technology to produce predictable and consistent images. The technology program initiated in May is now producing very encouraging and consistent results. Management continues to focus on improvements to the stability and quality of the images, but they are confident that the technology issues have been resolved sufficiently to produce a new prototype for use in initial human clinical testing. The company is developing the pathway towards their initial human tests, currently forecast to begin in mid-2004. With animal testing producing consistent results, the key milestones for the company over the first 6 to 9 months of 2004 are; raising additional capital, the initiation of human testing, making significant progress on the development of strategic marketing relationships, and submission and approval of a 510(k) for an initial indication.

In November, the company established repeatability and acceptable image quality with its current bench prototype device. All activities are now geared towards creating a compelling case for potential strategic partners, further improvements to the visualization technology, and determining the proper development path towards the initiation of human clinical studies. Multiple potential corporate partners have attended animal testing sessions to evaluate the Cardio-Optics technology. The strategy is to partner with high-profile industry leaders for distribution into the company's initial clinical applications, congestive heart failure and lead placement for treatment of atrial fibrillation.

Financial results for the year reflect the reduced cash burn plan that was put into effect in June of this year. Monthly cash burn has been reduced to \$120K, allowing the company to sustain operations at its current level for another 6 months. No budget has been prepared for 2004 until the Board of Directors meeting at the end of the first quarter. The company will look to raise additional capital in the spring of 2004.

Management is now very optimistic that development of a new prototype can be completed for use in initial human clinical testing by mid-2004. We are encouraged by the results of the R&D program, but are looking for some further recognition of the value of the technology from the major players in the cardiac device market. Management is diligently pursuing this path and we remain upbeat about the prospects for success at Cardio-Optics.

CARDIO-OPTICS, INC. (cont.)

FINANCIAL RESULTS: (\$000)

Overview: (FYE 12/31)

	<i>2001 Actual</i>	<i>2002 Actual</i>	<i>2003 Actual*</i>
Revenues	0	0	0
Cost of Sales	0	0	0
R&D Expenses	451	1,000	1,031
SG&A	618	1,527	1,036
EBIT	-1,069	-2,527	-2,067
Interest and Taxes	5	23	-31
Net Income	-1,064	-2,504	-2,098

*- Subject to Audit

Last Three Months: Quarter Ended December 31, 2003

	<i>Actual</i>	<i>Budget**</i>	<i>Variance</i>
Revenues	0	0	0
Cost of Sales	0	0	0
R&D Expenses	202	193	-9
SG&A	218	179	-39
EBIT	-420	-372	-48
Interest and Taxes	1	3	-2
Net Income	-419	-369	-50

Fiscal Year-to-Date: Twelve Months Ended December 31, 2003

	<i>Actual</i>	<i>Budget**</i>	<i>Variance</i>
Revenues	0	0	0
Cost of Sales	0	0	0
R&D Expenses	1,031	1,249	+218
SG&A	1,036	1,119	+83
EBIT	-2,067	-2,368	+301
Interest and Taxes	-31	18	-49
Net Income	-2,098	-2,350	+252

** - Reflects reduced cash burn plan enacted in June.

CARDIO-OPTICS, INC. (cont.)

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

Cash	\$ 692	Accounts Payable	\$ 4
Accounts Receivable	0	Accrued Expenses	181
Other Current Assets	<u>0</u>	Other Current Liabilities	<u>0</u>
Total Current Assets	692	Total Current Liabilities	185
Net PP&E	105	Long Term Debt - Lease line	13
Intangibles (Net)	0	Shareholders Equity	7,411
Other Assets	<u>79</u>	Retained Earnings	<u>-6,733</u>
Total Assets	<u>\$ 876</u>	Total Liabilities & Equity	<u>\$ 876</u>

Comments:

Managements reduced cash burn plan has reduced monthly cash outlay to under \$120K at year-end. We forecast that current capital should provide the company with adequate resources to fund operations through Q2 2004. The company will initiate a new financing effort at the beginning of Q2.

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:

We are enthusiastic about the prospects for Cardio-Optics.

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

Integrated Telecommunications, Web and Data Networks for Patient Management

Period Summary: 4th Quarter 2003

Financial performance at Intellicare for 2003 was generally strong. Revenues grew by 81% over 2002. Revenues for 2003 lagged plan primarily due the wind-down of activity with one large disease management customer, but overall financial performance for 2003 was encouraging. Operationally the company performed well, with business unit margins reaching 15%, a 32% improvement over last year. Cash flow has run behind expectation primarily because of one-time reorganization costs, expenditures related to a terminated acquisition offer and decreases in deferred revenue from the shift in new business from technology to outsource. Management is focused on the achievement of EBITDA profitability in 2004.

The 2004 budget shows modest growth and the attainment of EBITDA profitability in Q3. This will be accomplished by a combination of reduced expenditures, continued margin improvement and a refocused sales effort on the company's most profitable markets. The company has initiated a hiring freeze for the first six months of the year and reduced travel and consulting expenses until revenues begin to trend back up in the second half of the year.

Financial performance slipped in the fourth quarter, but came within 10% of budget in most categories for the year. The majority of the shortfall in Q4 was attributable to the wind-down of activity with one large disease management customer coupled with delays in the launching of a significant new CMS customer. However, operational expenditures have been controlled nicely and have offset most of the revenue shortfall. The operational investments begun in the second half of 2003 should produce additional margin improvement by the end of Q1 2004. The cash balance at year-end was \$3.3 million, or about 17% below budget. Monthly cash burn at year-end is under \$150K.

INTELLICARE AMERICA (cont.)

FINANCIAL RESULTS: (\$000)

Overview: (FYE 12/31)

	<i>2001 Actual</i>	<i>2002 Actual</i>	<i>2003 Actual*</i>	<i>2004 Budget</i>
Revenues	5,483	7,505	13,578	16,008
Cost of Revenues	6,593	6,945	11,932	11,702
SG&A	3,159	4,460	5,026	5,263
EBIT	-4,269	-3,900	-3,380	-957
Interest and Taxes	60	-3	-22	-81
Net Income	-4,209	-3,903	-3,402	-1,038

* - Subject to Audit

Last Three Months: Quarter Ended December 31, 2003

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	2,868	4,729	-1,861
Cost of Revenues	2,443	3,470	+1,027
SG&A	950	1,512	+562
EBIT	-525	-253	-272
Interest and Taxes	-18	-16	-2
Net Income	-543	-269	-274

Fiscal Year-to-Date: Twelve Months Ended December 31, 2003

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	13,578	14,950	-1,372
Cost of Revenues	11,932	11,823	-109
SG&A	5,026	6,047	+1,021
EBIT	-3,380	-2,920	-460
Interest and Taxes	-22	-69	+47
Net Income	-3,402	-2,989	-413

INTELLICARE AMERICA (cont.)

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

Cash	\$ 3,295	Accounts Payable	\$ 783
Accounts Receivable	1,494	Accrued Payroll	779
Other Current Assets	<u>161</u>	Other Current Liabilities	<u>1,250</u>
Total Current Assets	4,950	Total Current Liabilities	2,812
Net PP&E	1,556	Long Term Liabilities	701
Intangibles (Net)	47	Shareholders Equity	19,318
Other Assets	<u>195</u>	Retained Earnings	<u>-16,083</u>
Total Assets	<u>\$ 6,748</u>	Total Liabilities & Equity	<u>\$ 6,748</u>

Comments:

Intellicare is currently behind on its plan for cash, but monthly burn is steadily decreasing. Current capital is expected to be more than sufficient to support operations through the attainment of cash flow break even in the first half of 2004. The company expects to be self-sustaining and cash flow breakeven by mid-year.

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	\$20.2 million

Outlook:

Notwithstanding this quarters' revenue shortfall, we are cautiously 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 2003

As reported last quarter, in July of this year a lack of operating capital led management and the investors to decide to cease operations and initiate an orderly liquidation of the company. Given the level of outstanding liabilities, company counsel has informed the investors that there will be no return on any of the equity invested in the company. Accordingly, at year-end we have written off the iPhysicianNet investment recording a realized loss of \$5,757,897 and reversing the previously unrealized loss of \$5,756,897.

MOBILE MEDICAL INDUSTRIES, INC.
Boca Raton, FL
{www.mobilemedicalind.com}

Provider of comprehensive, integrated home-based medical services.

Period Summary: 4th Quarter 2003

2003 proved to be a transition year for Mobile Medical (MMI). The new senior management team, in place for less than half of the year, is focusing on improving current operating performance and pursuing growth opportunities. The company fell behind on its 2003 operating plan as forecast acquisitions for the first half of the year were delayed or not completed. However, progress made since June has the company well on its ways towards achieving sustainable positive cash flow and profitability. Operating cash flow was only slightly behind plan for the year and gross margins have shown steady improvement. Management recently completed a \$5 million asset-based revolving credit facility to facilitate larger acquisitions.

Financial results for the quarter were below expectations. Revenues were 26% below plan due to lower than forecast referrals for CareGivers, lower productivity on the part of MD to You physicians and the lack of planned acquisitions over the course of the year. Gross Margins improved 5% over last quarter, but were 8% below plan primarily due to lower productivity. At year-end, management completed an internal personnel review and terminated a number of lower productivity nurses and physicians. The company is also moving to terminate certain CareGiver contracts that are below targeted gross margin thresholds. One-time charges booked in November further exacerbated the results for the year. The charges were \$1.5 million related to the termination of agreements with the founders of the company plus \$1.5 million in prior year Medicare adjustments related to acquired contracts for CareGivers.

The 2004 budget forecasts revenue growth of 50% and for the company to turn cash flow positive by the end of the first quarter. The budget does not reflect any significant acquisitions. Management is still working on a significant potential acquisition that could move annual revenues above \$80 million plus add \$2-3 million to the bottom line.

New CEO Greg Bellamy and new CFO Jim Douthitt have made a positive impact on operational performance at MMI in their first few months. Notwithstanding the slow pace of growth and acquisition activity during the first half of 2003, we are very enthusiastic about the future and the progress made since June. We expect the company to attain sustainable profitability by mid-year 2004. By the end of next year, Mobile Medical should be in prime position for pursuing an exit for the investors.

MOBILE MEDICAL INDUSTRIES, INC. (cont.)

FINANCIAL RESULTS: (\$000)

Overview: (FYE 12/31)

	<i>2001 Actual</i>	<i>2002 Actual</i>	<i>2003 Actual*</i>	<i>2004 Budget</i>
Revenues	23,911	30,440	31,992	52,566
Direct Expenses	10,967	15,872	18,270	24,743
SG&A	15,197	19,011	19,990	25,800
EBIT	-2,253	-4,443	-6,178	2,023
Interest and Taxes	-1,760	-1,263	-664	-169
Net Income	-4,013	-5,706	-6,842	1,854
EBITDA	-1,248	-3,966	-6,173	+2,727

* - Subject to Audit, includes prior year contract adjustments booked in November and not reflected in the comparison schedules below.

Last Three Months: Quarter Ended December 31, 2003

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	9,502	12,879	-3,377
Direct Expenses	5,048	6,270	+1,222
SG&A	5,910	6,416	+506
EBIT	-1,456	193	-1,649
Interest and Taxes	-20	39	-59
Net Income	-1,476	232	-1,708
EBITDA	-1,323	418	-1,741

Fiscal Year-to-Date: Twelve Months Ended December 31, 2003

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	35,088	41,730	-6,642
Direct Expenses	18,271	20,971	+2,700
SG&A	22,002	23,126	+1,124
EBIT	-5,185	-2,367	-2,818
Interest and Taxes	-124	+521	-645
Net Income	-5,309	-1,846	-3,463
EBITDA	-4,641	-1,727	-2,914

MOBILE MEDICAL INDUSTRIES, INC. (cont.)

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

Cash	\$ 5,836	Accounts Payable	\$ 335
Accounts Receivable	5,379	Accrued Expenses	3,313
Other Current Assets	<u>1,621</u>	Other Current Liabilities	<u>1,685</u>
Total Current Assets	12,836	Total Current Liabilities	5,333
Net PP&E	1,332	Debt and Other Liabilities	2,381
Acquired Goodwill (Net)	9,215	Shareholders Equity	38,860
Other Assets	<u>857</u>	Retained Earnings	<u>-22,234</u>
Total Assets	<u>\$24,240</u>	Total Liabilities & Equity	<u>\$24,240</u>

Comments:

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

CHP II, L.P. Holdings:

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

% Ownership (Full Dilution) 8.2%

Company Valuation at CHP II Cost	\$48.8 million
Company Valuation at Assigned Fair Value	\$48.8 million

Outlook:

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

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

Software Tools for Genomics Research

Period Summary: 4th Quarter 2003

By the end of the current quarter the company has been officially liquidated and legally dissolved. In December, CHP II received a distribution of \$64,754 in cash, representing our prorata share of the proceeds from the liquidation of the physical assets of the company. Accordingly, we reduced the carrying value for the investment from \$100,000 to \$30,246.

The only remaining outstanding item is the sale and/or licensing of the company's intellectual property. PARTEQ Innovations is acting as agent to sell the intangible assets of the company. The agreement contains a revenue sharing component whereby PARTEQ will receive a ramping percentage of the proceeds, based upon the overall amount of the sale. Under the terms of the agreement, if the intangible assets are sold/licensed for a total of under \$25.5 million, the proceeds will be split solely between the Series B Preferred shareholders and PARTEQ. The Series A investors and the common shareholders would receive no return on their investment. We believe that the total proceeds from the sale will be at most \$3-5 million, but more likely in the \$1-\$2 million range. Our current estimate of total return on the CHP II investment is between \$100K - \$250K. CHP II will receive 18.25% of any distribution to the Series B investors.

It is expected that PARTEQ transaction will be complete by the end of 2004.

CHP II, L.P. Holdings:

Series B Convertible Preferred Stock	737,422 shares
Assigned Fair Value	\$30,246
Investment Cost	\$1,439,306
 % Ownership of the Series B Preferred	 18.25%

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

Glycomics Based Drug Discovery and Development

Period Summary: 4th Quarter 2003

Momenta made great progress in the quarter, completing a major pharmaceutical partnership, hiring a Chief Financial Officer and Vice President of R&D, and beginning the manufacture of its lead drug compound in preparation for filing an abbreviated new drug application (ANDA).

In October, the company completed a significant strategic partnership with Sandoz/Novartis that essentially finances the manufacture and distribution of its lead drug product, a generic form of heparin. The agreement also contains a generous revenue sharing component. The company expects to file an abbreviated new drug application (ANDA) for the product in mid-2004. Manufacture of the lots necessary for the ANDA filing began in December and remains on schedule.

The budget for 2004 shows significant ramping in expenditures as the company prepares for the filing of its initial new drug application and pursues additional development programs. Management has outlined a financing plan that looks to position the company to be able to access all potential financing avenues in 2004, including further corporate deals, a mezzanine financing or an initial public offering.

In review, Momenta made significant progress during 2003. In May, the company completed a \$19 million financing led by Atlas Ventures and MVM Limited. Over the year, the senior management team was virtually completed, the initial drug development program moved from concept to product, and secondary programs have progressed into product development. Goals for 2004 include the filing of the ANDA by mid-year; completing an additional financing to provide operational capital for 2005 and beyond, moving into a long-term facility, refinement of the scientific strategy for applying the Momenta platform to drug discovery, and continuing organizational development. Momenta has established terrific momentum entering 2004 and we are very enthusiastic about its prospects for providing an excellent return on our investment.

MOMENTA PHARMACEUTICALS, INC. (cont.)

FINANCIAL RESULTS: (\$000)

Overview: (FYE 12/31)

	<i>2001 Actual</i>	<i>2002 Actual</i>	<i>2003 Actual</i>	<i>2004 Budget</i>
Revenues	0	0	1,454	2,715
Research Expenses	206	1,818	5,227	8,334
Operating Expenses	167	2,364	3,418	7,107
EBIT	-373	-4,182	-7,191	-12,726
Interest and Taxes	+2	+17	+37	-50
Net Income	-371	-4,165	-7,154	-12,776

* - Subject to Audit

Last Three Months: Quarter Ended December 31, 2003

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	1,454	100	+1,354
Research Expenses	1,873	1,270	-603
Operating Expenses	1,650	2,336	+686
EBIT	-2,069	-3,506	+1,437
Interest and Taxes	22	-101	+123
Net Income	-2,047	-3,607	+1,560

Fiscal Year-to-Date: Twelve Months Ended December 31, 2003

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	1,454	100	+1,354
Research Expenses	5,227	4,492	-735
Operating Expenses	3,418	7,495	+4,077
EBIT	-7,191	-11,887	+4,696
Interest and Taxes	37	21	+16
Net Income	-7,154	-11,866	+4,712

MOMENTA PHARMACEUTICALS, INC. (cont.)

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

Cash	\$ 12,615	A/P & Accrued Expenses	\$ 804
Prepaid Expenses	262	Deferred Charges	756
Other Current Assets	<u>2,019</u>	Notes Payable	<u>321</u>
Total Current Assets	14,896	Total Current Liabilities	1,881
Net PP&E	1,117	Long Term Debt	795
Intangibles (net)	0	Shareholders Equity	27,552
Other Assets	<u>78</u>	Retained Earnings	<u>-14,137</u>
Total Assets	<u>\$ 16,091</u>	Total Liabilities & Equity	<u>\$ 16,091</u>

Comments:

During the last quarter of 2003, the company began ramping up manufacturing for its lead drug candidate in anticipation of filing an ANDA in the summer of 2004. With the completion of the \$19 million financing in May, the company has sufficient capital to support operations well into 2005.

CHP II, L.P. Holdings:

Series AA Convertible Preferred Stock	348,432 shares
Assigned Fair Value (348,432 shares x \$2.95)	\$1,027,875
Investment Cost	\$1,000,000
Cost per Share	\$2.87

Series B Convertible Preferred Stock	974,577 shares
Assigned Fair Value	Investment Cost
Investment Cost	\$2,875,002
Cost per Share	\$2.95

% Ownership (Full Dilution)	9.9%
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Company Valuation at CHP II Cost	\$39.1 million
Company Valuation at Assigned Fair Value	\$39.5 million

Outlook:

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

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

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

Period Summary: 4th Quarter 2003

Replication has performed well against its objectives for the year. Manufacturing concerns that surfaced during the first quarter of 2003 were resolved, and the company has provided a sufficient number of prototype implants for the first human trials in Europe. The trials, a 10 patient study in Germany headed by Dr. Rudi Bertagnoli, an internationally respected spine surgeon, were begun in November and results thus far are encouraging. Patient enrollment appears on track and we expect to have preliminary results in the next 6 months. U.S. based pre-clinical testing required prior to submission of an IDE application is also progressing, with the application on schedule to be filed in first half of 2004.

Financially, the company has performed as expected. In September, the company settled a legal suit filed against one of the founders of Replication by a former employer, claiming certain rights to his patents. The settlement was paid out in Q3 and is the reason the company shows a negative variance to its operating expense budget for the year. The company's virtual model has enabled substantial technical progress on very little capital. The company will be ramping up clinical activity in 2004 and monthly cash burn is forecast to rise above \$250K by the end of Q1 2004.

Industry interest in Replication's technology remains high, and the company's two strategic investors, Johnson & Johnson and Synthes-Stratec remain highly supportive and involved. Financial investor interest is also high and management is considering initiating a new financing round in mid-2004.

REPLICATION MEDICAL (cont.)**FINANCIAL RESULTS: (\$000)**

Overview: (FYE 12/31)

	<i>2001 Actual</i>	<i>2002 Actual</i>	<i>2003 Actual</i>	<i>2004 Budget</i>
Revenues	0	0	0	0
R&D Expenses	1,163	1,255	2,396	2,642
Operating Expenses	266	324	782	247
EBIT	-1,429	-1,579	3,178	-2,889
Interest and Taxes	44	3	27	11
Net Income	-1,385	-1,576	-3,151	-2,878

Last Three Months: Quarter Ended December 31, 2003

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	0	0	0
R&D Expenses	703	705	+2
Operating Expenses	39	98	+59
EBIT	-742	-803	+61
Interest and Taxes	3	10	-7
Net Income	-739	-793	+54

Fiscal Year-to-Date: Twelve Months Ended December 31, 2003

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	0	0	0
R&D Expenses	2,396	2,377	-19
Operating Expenses	782	451	-331
EBIT	-3,178	-2,828	-350
Interest and Taxes	27	48	-21
Net Income	-3,151	-2,780	-371

REPLICATION MEDICAL (cont.)

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

Cash	\$ 2,978	A/P & Accrued Expenses	\$ 141
Prepaid Expenses	25	Deferred Charges	0
Other Current Assets	<u>0</u>	Notes Payable	<u>0</u>
Total Current Assets	3,003	Total Current Liabilities	141
Net PP&E	129	Long Term Debt	0
Intangibles (net)	0	Shareholders Equity	9,860
Other Assets	<u>0</u>	Retained Earnings	<u>-6,869</u>
Total Assets	<u>\$ 3,132</u>	Total Liabilities & Equity	<u>\$ 3,132</u>

Comments:

With the initiation of human clinical studies in Europe during the quarter, the company has fallen behind its R&D budget. With the ramping of clinical studies to begin in the first half of 2004, cash burn will accelerate in each of the next two quarters. We expect the company to require additional financing in the second half of 2004. Investor interest has been high.

CHP II, L.P. Holdings:

Series B Convertible Preferred Stock	2,614,516 shares
Assigned Fair Value	Investment Cost
Investment Cost	\$2,500,000
Cost per Share	\$0.9562

% Ownership (Full Dilution)	20.8%
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Company Valuation at CHP II Cost	\$12.3 million
Company Valuation at Assigned Fair Value	\$12.3 million

Outlook:

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

RIB-X PHARMACEUTICALS, INC.

New Haven, CT

{*www.rib-x.com*}

Structure-Based Design of Anti-Infective Agents

Period Summary: 4th Quarter 2003

As Rib-X ends its second year of operation, the company continues its vigorous trek towards identification of a strong lead drug candidate with attributes acceptable as a product for treatment of community respiratory tract infections. Two compounds now show enough promise to move into toxicology studies. Management remains optimistic that this series will produce a lead candidate(s) in the near term, keeping them on their clinical development plan for filing an IND in mid-2004. Financially, the company continues to perform ahead of budget in all areas and has sufficient capital to support its plan for at least two more years.

The primary objective of the lead scientific program, code named RX-01, is to identify a high quality drug candidate that meets internal preclinical criteria and will provide clear value to a potential pharmaceutical development partner. The company now has two compounds that exhibit the proper in vitro pharmacokinetic profile, for treating certain types of difficult to treat respiratory infections. With these compounds in hand, the company will begin next month the production of material for toxicology studies, the first step of pre-IND development.

In review, 2003 proved to be a very successful year for Rib-X. In April, the company completed a \$63.5 million second round financing led by Warburg Pincus. The valuation for the financing was equal to the December 2001 first round. At year-end the company had identified a lead drug candidate, keeping them on their clinical development plan for filing an IND in mid-2004. Financially, the company remains ahead of its spending plan, primarily due to lower personnel costs and the delay in scale-up for manufacturing in the lead drug program. Management has done a fine job of managing spending while advancing its research and development program. The company has sufficient capital to operate for at least two years and likely through Phase II clinical trials for its lead compound. Additional programs to identify other drug candidate compounds will be accelerated in 2004. A significant milestone in the coming year will be the establishment of a corporate alliance with a major pharmaceutical company. Another management goal for 2004 is the recruitment of business development and regulatory staff.

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

Overview: (FYE 12/31)

	<i>2001 Actual</i>	<i>2002 Actual</i>	<i>2003 Actual*</i>	<i>2004 Budget</i>
Revenues	0	0	148	1,100
R&D Expenses	593	5,283	7,878	15,030
Operating Expenses	828	2,192	3,023	5,105
EBIT	-1,421	-7,475	-10,753	-19,035
Interest and Taxes	-11	-71	+159	+65
Net Income	-1,432	-7,546	-10,594	-18,970

* - Subject to Audit

Last Three Months: Quarter Ended December 31, 2003

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	148	0	+148
R&D Expenses	1,642	1,750	+108
Operating Expenses	1,302	1,558	+256
EBIT	-2,796	-3,308	+512
Interest and Taxes	95	7	+88
Net Income	-2,701	-3,301	+600

Fiscal Year-to-Date: Twelve Months Ended December 31, 2003

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	148	0	+148
R&D Expenses	7,878	8,080	+202
Operating Expenses	3,023	3,929	+906
EBIT	-10,753	-12,009	+1,256
Interest and Taxes	+159	-153	+312
Net Income	-10,594	-12,162	+1,568

RIB-X PHARMACEUTICALS, INC. (cont.)

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

Cash	\$ 51,806	Accounts Payable	\$ 886
Accounts Receivable	0	Accrued Expenses	0
Other Current Assets	<u>283</u>	Notes Payable Current	<u>657</u>
Total Current Assets	52,089	Total Current Liabilities	1,543
Net PP&E	5,891	Notes Payable	3,653
Intangibles (net)	0	Shareholders Equity	72,672
Other Assets	<u>242</u>	Retained Earnings	<u>-19,646</u>
Total Assets	<u>\$58,222</u>	Total Liabilities & Equity	<u>\$58,222</u>

Comments:

The company is ahead of its cash burn plan for the year, however, burn is accelerating to meet budget expectations and the company will likely be burning close to \$1.5 million per month by spring 2004. With the current cash balance, Rib-X has enough capital to operate for at least two years.

CHP II, L.P. Holdings:

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

Outlook:

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