

CHP III, L.P.
FINANCIAL REPORT
3rd QUARTER, 2007

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CHP III, L.P
Proposed Portfolio Investment Valuation Summary
For the Quarter Ended September 30, 2007

Company	Investment	Fair Value 9/30/2007	Fair Value 6/30/2007	Change From Last Quarter	Reason For Change
BioConnect Systems, Inc.	\$4,000,000	\$4,000,000	\$4,000,000	\$0	
Inspire Technologies (formerly COPD)	\$3,600,000	\$3,600,000	\$3,600,000	\$0	
Fluidnet Corporation	\$3,860,000	\$3,860,000	\$3,000,000	\$860,000	Follow-on Investment. (note 1)
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Total	\$11,460,000	\$11,460,000	\$10,600,000	\$860,000	

- (1) On August 20, 2007, CHP III contributed \$860K to the \$1.0 million second and final closing for the \$6.5 million first round financing for FluidNet Corporation, bringing the CHP III total investment in the round to \$3.86 million.

CHP III, L.P.
Income Statement
For the Nine Months Ended September 30, 2007

	3 Months Ended 9/30/2007	9 Months Ended 9/30/2007
Revenue:		
Non Portfolio Income	\$6,715	\$20,805
Interest-Equivalent Amounts	0	0
Expenses:		
Management Fee	731,804	2,516,202
Professional Fees	6,250	19,150
NVCA Dues & Expenses	0	4,325
Amortization of Organization Costs	55,000	165,000
Annual Meeting & Miscellaneous Expenses	636	678
Total Expenses	793,690	2,705,355
Net Operating Expense	(786,975)	(2,684,550)
Investment Income	1,354	2,322
Net Income Before Gains (Losses)	(785,621)	(2,682,228)
Realized Gains (Losses)	0	0
Unrealized Gains (Losses)	0	0
Net Income (Loss)	(\$785,621)	(\$2,682,228)

CHP III, L.P.
Balance Sheet
As of September 30, 2007

ASSETS:	Period Ended 9/30/2007	Period Ended 6/30/2007
Cash and Short-Term Investments	\$1,124,394	\$912,503
Accrued Interest	2,322	968
Venture Capital Investments	11,460,000	10,600,000
Organization Costs (Net of Accum. Amortization)	56,187	109,334
Other Assets	<u>75,806</u>	<u>66,750</u>
	<u><u>\$12,718,709</u></u>	<u><u>\$11,689,555</u></u>
 LIABILITIES & CAPITAL:		
Accrued Expenses and Payables	\$239,937	\$236,159
Partners' Capital	<u>12,478,772</u>	<u>11,453,396</u>
Total Liabilities and Capital	<u><u>\$12,718,709</u></u>	<u><u>\$11,689,555</u></u>

CHP III, L.P.
Footnotes
As of September 30, 2007

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

Note 2 - Accrued Interest Receivable:	<u>9/30/2007</u>	<u>6/30/2007</u>
Interest Accrued on GP Promissory Notes	\$2,322	\$968
Interest Accrued on Portfolio Company Notes	<u>0</u>	<u>0</u>
Total	<u>\$2,322</u>	<u>\$968</u>

Note 3 - Net Organization Costs:	<u>9/30/2007</u>	<u>6/30/2007</u>
Organization Costs *	\$221,187	\$219,334
Accumulated Amortization	<u>(165,000)</u>	<u>(110,000)</u>
Total	<u>\$56,187</u>	<u>\$109,334</u>

* Organization Costs are preliminary and subject to audit.

Note 4 - Other Assets:	<u>9/30/2007</u>	<u>6/30/2007</u>
GP Promissory Note Principal	\$75,806	\$66,750
Miscellaneous Other Assets	<u>0</u>	<u>0</u>
Total	<u>\$75,806</u>	<u>\$66,750</u>

Note 5 - Accrued Expenses:	<u>9/30/2007</u>	<u>6/30/2007</u>
Accounting & Audit	\$18,750	\$12,500
NVCA Dues and Expenses	0	4,325
Organizational Costs	<u>221,187</u>	<u>219,334</u>
Total	<u>\$239,937</u>	<u>\$236,159</u>

CHP III, L.P.
Statement of Cash Flows
For the Nine Months Ended September 30, 2007

	3 Months Ended 09/30/07	9 Months Ended 09/30/07
Cash flows from operating activities		
Net Income Before Gains (Losses)	(\$785,621)	(\$2,682,228)
Adjustments to reconcile net income before gains (losses) to net cash used in operating activities:		
Accrued Interest Receivable	(1,354)	(2,322)
Accrued Organization Costs (Net)	1,853	221,187
Other Assets	44,091	(131,993)
Accrued Expenses & Payables	1,925	18,750
Net Cash used in Operating Activities	(739,106)	(2,576,606)
Cash flows from investing activities		
Purchases of venture capital investments	(860,000)	(11,460,000)
Sales of venture capital investments	-	-
Net cash provided by investing activities	(860,000)	(11,460,000)
Cash flows from financing activities		
Cash contributions by partners	1,810,997	15,161,000
Cash distribution to partners	-	-
Net cash used in financing activities	1,810,997	15,161,000
Net Change in Cash and Short Term Investments	211,891	1,124,394
Cash and Short Term Investments, Beginning	912,503	-
Cash and Short Term Investments, Ending	<u>\$1,124,394</u>	<u>\$1,124,394</u>

CHP III, L.P.
Schedule of Venture Capital Investments
As of September 30, 2007

Company	Debt	Equity	Total Cost	Fair Value	Unrealized Gain (Loss)
BioConnect Systems, Inc.	\$0	\$4,000,000	\$4,000,000	\$4,000,000	\$0
Inspire Technologies (formerly COPD)	0	3,600,000	3,600,000	3,600,000	0
FluidNet Corporation	0	3,860,000	3,860,000	3,860,000	0
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Totals	\$0	\$11,460,000	\$11,460,000	\$11,460,000	\$0

CHP III, L.P.
Statement of Partners' Contributions Accounts
As of September 30, 2007

	Partners' Total Subscription	Contributions Account 6/30/2007	Period Contributions in Cash	Period Contributions by Note	Contributions Account 9/30/2007	Partners' Outstanding Subscription
<u>Limited Partners:</u>						
State Teachers Retirement System of Ohio	\$23,417,722	\$2,670,000	\$362,200	\$0	\$3,032,200	\$20,385,522
Trustees of Princeton University	9,425,000	1,074,606	145,773	0	1,220,379	8,204,621
The Robertson Foundation	575,000	65,559	8,893	0	74,452	500,548
Robert Wood Johnson Foundation	10,000,000	1,140,161	154,669	0	1,294,830	8,705,170
Northwestern University	7,000,000	798,115	108,268	0	906,383	6,093,617
LA City Employees Retirement System	15,000,000	1,710,244	232,004	0	1,942,248	13,057,752
Hamilton Lane-Carpenters Fund II	5,000,000	570,081	77,335	0	647,416	4,352,584
Int. Union of Operating Engineers	5,000,000	570,081	77,335	0	647,416	4,352,584
COPTL L.P. (Royal Mail)	10,000,000	1,140,161	154,669	0	1,294,830	8,705,170
Howard University (Endowment Fund)	2,500,000	285,041	38,667	0	323,708	2,176,292
Howard University Retirement Trust	2,500,000	285,041	38,667	0	323,708	2,176,292
SVB Strategic Investors Fund III, L.P.	10,000,000	1,140,161	154,669	0	1,294,830	8,705,170
Venture Investment Associates VI, LP	6,000,000	684,098	92,802	0	776,900	5,223,100
WSI Investments, Inc.	5,000,000	570,081	77,335	0	647,416	4,352,584
Alexandria Equities, LLC	2,500,000	285,041	38,667	0	323,708	2,176,292
United Gulf Investments, Ltd.	2,000,000	228,032	30,934	0	258,966	1,741,034
	\$115,917,722	\$13,216,503	\$1,792,887	\$0	\$15,009,390	\$100,908,332
<u>General Partner:</u>						
CHP III Management LLC	1,170,886	133,500	9,054	9,056	151,610	1,019,276
Total Partnership	\$117,088,608	\$13,350,003	\$1,801,941	\$9,056	\$15,161,000	\$101,927,608

CHP III, L.P.
Statement of Partners' Distributive Share of Net Assets
For the Period Ended September 30, 2007

	Private Securities	Public Securities	Cash	Net Organization Costs	Other Assets	Total Assets	Accrued Expenses & Other Liabilities	Net Assets 9/30/2007
<u>Limited Partners:</u>								
State Teachers Retirement System of Ohio	\$2,292,001	\$0	\$224,879	\$11,237	\$15,626	\$2,543,743	(\$47,988)	\$2,495,755
Trustees of Princeton University	922,468	0	90,508	4,523	6,289	1,023,788	(19,314)	1,004,474
The Robertson Foundation	56,277	0	5,522	275	384	62,458	(1,178)	61,280
Robert Wood Johnson Foundation	978,744	0	96,029	4,799	6,673	1,086,245	(20,492)	1,065,753
Northwestern University	685,124	0	67,221	3,359	4,670	760,374	(14,344)	746,030
LA City Employees Retirement System	1,468,121	0	144,044	7,198	10,009	1,629,372	(30,738)	1,598,634
Hamilton Lane-Carpenters Fund II	489,373	0	48,015	2,399	3,336	543,123	(10,246)	532,877
Int. Union of Operating Engineers	489,373	0	48,015	2,399	3,336	543,123	(10,246)	532,877
COPTL L.P. (Royal Mail)	978,744	0	96,029	4,799	6,673	1,086,245	(20,492)	1,065,753
Howard University (Endowment Fund)	244,687	0	24,007	1,200	1,668	271,562	(5,123)	266,439
Howard University Retirement Trust	244,687	0	24,007	1,200	1,668	271,562	(5,123)	266,439
SVB Strategic Investors Fund III, L.P.	978,744	0	96,029	4,799	6,673	1,086,245	(20,492)	1,065,753
Venture Investment Associates VI, LP	587,249	0	57,618	2,879	4,003	651,749	(12,295)	639,454
WSI Investments, Inc.	489,373	0	48,015	2,399	3,336	543,123	(10,246)	532,877
Alexandria Equities, LLC	244,687	0	24,007	1,200	1,668	271,562	(5,123)	266,439
United Gulf Investments, Ltd.	195,748	0	19,205	960	1,335	217,248	(4,098)	213,150
	\$11,345,400	\$0	\$1,113,150	\$55,625	\$77,347	\$12,591,522	(\$237,538)	\$12,353,984
<u>General Partner:</u>								
CHP III Management LLC	114,600	0	11,244	562	781	127,187	(2,399)	124,788
Total Partnership	\$11,460,000	\$0	\$1,124,394	\$56,187	\$78,128	\$12,718,709	(\$239,937)	\$12,478,772

CHP III, L.P.
Statement of Partners' Capital Accounts
For the Three Months Ended September 30, 2007

	Partners' Capital 7/1/2007	Net Capital Contributions	Non-Portfolio Income	Net Investment Income (Loss)	Realized Gains (Losses)	Total Income	Unrealized Gains (Losses)	Distributions	Partners' Capital 9/30/2007
<u>Limited Partners:</u>									
State Teachers Retirement System of Ohio	\$2,290,679	\$362,200	\$1,344	(\$158,468)	\$0	(\$157,124)	\$0	\$0	\$2,495,755
Trustees of Princeton University	921,939	145,773	541	(63,779)	0	(63,238)	0	0	1,004,474
The Robertson Foundation	56,245	8,893	33	(3,891)	0	(3,858)	0	0	61,280
Robert Wood Johnson Foundation	978,180	154,669	574	(67,670)	0	(67,096)	0	0	1,065,753
Northwestern University	684,728	108,268	403	(47,369)	0	(46,966)	0	0	746,030
LA City Employees Retirement System	1,467,274	232,004	860	(101,504)	0	(100,644)	0	0	1,598,634
Hamilton Lane-Carpenters Fund II	489,091	77,335	286	(33,835)	0	(33,549)	0	0	532,877
Int. Union of Operating Engineers	489,091	77,335	286	(33,835)	0	(33,549)	0	0	532,877
COPTL L.P. (Royal Mail)	978,180	154,669	574	(67,670)	0	(67,096)	0	0	1,065,753
Howard University (Endowment Fund)	244,546	38,667	143	(16,917)	0	(16,774)	0	0	266,439
Howard University Retirement Trust	244,546	38,667	143	(16,917)	0	(16,774)	0	0	266,439
SVB Strategic Investors Fund III, L.P.	978,180	154,669	574	(67,670)	0	(67,096)	0	0	1,065,753
Venture Investment Associates VI, LP	586,910	92,802	344	(40,602)	0	(40,258)	0	0	639,454
WSI Investments, Inc.	489,091	77,335	286	(33,835)	0	(33,549)	0	0	532,877
Alexandria Equities, LLC	244,546	38,667	143	(16,917)	0	(16,774)	0	0	266,439
United Gulf Investments, Ltd.	195,636	30,934	114	(13,534)	0	(13,420)	0	0	213,150
	\$11,338,862	\$1,792,887	\$6,648	(\$784,413)	\$0	(\$777,765)	\$0	\$0	\$12,353,984
<u>General Partner:</u>									
CHP III Management LLC	47,784	9,054	67	(7,923)	0	(7,856)	0	0	48,982
Total Partnership	\$11,386,646	\$1,801,941	\$6,715	(\$792,336)	\$0	(\$785,621)	\$0	\$0	\$12,402,966

* - Partners' Capital by definition does not include Contributions made by the General Partners in the form of Promissory Notes.

CHP III, L.P.
Statement of Partners' Capital Accounts
For the Nine Months Ended September 30, 2007

	Partners' Capital 1/1/2007	Net Capital Contributions	Non-Portfolio Income	Net Investment Income (Loss)	Realized Gains (Losses)	Total Income	Unrealized Gains (Losses)	Distributions	Partners' Capital 9/30/2007
<u>Limited Partners:</u>									
State Teachers Retirement System of Ohio	\$0	\$3,032,200	\$4,162	(\$540,607)	\$0	(\$536,445)	\$0	\$0	\$2,495,755
Trustees of Princeton University	0	1,220,379	1,675	(217,580)	0	(215,905)	0	0	1,004,474
The Robertson Foundation	0	74,452	102	(13,274)	0	(13,172)	0	0	61,280
Robert Wood Johnson Foundation	0	1,294,830	1,777	(230,854)	0	(229,077)	0	0	1,065,753
Northwestern University	0	906,383	1,245	(161,598)	0	(160,353)	0	0	746,030
LA City Employees Retirement System	0	1,942,248	2,665	(346,279)	0	(343,614)	0	0	1,598,634
Hamilton Lane-Carpenters Fund II	0	647,416	888	(115,427)	0	(114,539)	0	0	532,877
Int. Union of Operating Engineers	0	647,416	888	(115,427)	0	(114,539)	0	0	532,877
COPTL L.P. (Royal Mail)	0	1,294,830	1,777	(230,854)	0	(229,077)	0	0	1,065,753
Howard University (Endowment Fund)	0	323,708	444	(57,713)	0	(57,269)	0	0	266,439
Howard University Retirement Trust	0	323,708	444	(57,713)	0	(57,269)	0	0	266,439
SVB Strategic Investors Fund III, L.P.	0	1,294,830	1,777	(230,854)	0	(229,077)	0	0	1,065,753
Venture Investment Associates VI, LP	0	776,900	1,066	(138,512)	0	(137,446)	0	0	639,454
WSI Investments, Inc.	0	647,416	888	(115,427)	0	(114,539)	0	0	532,877
Alexandria Equities, LLC	0	323,708	444	(57,713)	0	(57,269)	0	0	266,439
United Gulf Investments, Ltd.	0	258,966	355	(46,171)	0	(45,816)	0	0	213,150
	\$0	\$15,009,390	\$20,597	(\$2,676,003)	\$0	(\$2,655,406)	\$0	\$0	\$12,353,984
<u>General Partner:</u>									
CHP III Management LLC	0	75,804	208	(27,030)	0	(26,822)	0	0	48,982
Total Partnership	\$0	\$15,085,194	\$20,805	(\$2,703,033)	\$0	(\$2,682,228)	\$0	\$0	\$12,402,966

* - Partners' Capital by definition does not include Contributions made by the General Partners in the form of Promissory Notes.

CHP III, L.P.
Statement of Partners' Accounts
For the Period from November 21, 2006 to September 30, 2007

	Partners' Contributions Account	Non-Portfolio Income	Net Investment Income (Loss)	Realized Gains (Losses)	Total Income	Unrealized Gains (Losses)	Distributions	Partners' Account
<u>Limited Partners:</u>								
State Teachers Retirement System of Ohio	\$3,032,200	\$4,162	(\$540,607)	\$0	(\$536,445)	\$0	\$0	\$2,495,755
Trustees of Princeton University	1,220,379	1,675	(217,580)	0	(215,905)	0	0	1,004,474
The Robertson Foundation	74,452	102	(13,274)	0	(13,172)	0	0	61,280
Robert Wood Johnsons Foundation	1,294,830	1,777	(230,854)	0	(229,077)	0	0	1,065,753
Northwestern University	906,383	1,245	(161,598)	0	(160,353)	0	0	746,030
LA City Employees Retirement System	1,942,248	2,665	(346,279)	0	(343,614)	0	0	1,598,634
Hamilton Lane-Carpenters Fund II	647,416	888	(115,427)	0	(114,539)	0	0	532,877
Int. Union of Operating Engineers	647,416	888	(115,427)	0	(114,539)	0	0	532,877
COPTL L.P. (Royal Mail)	1,294,830	1,777	(230,854)	0	(229,077)	0	0	1,065,753
Howard University (Endowment Fund)	323,708	444	(57,713)	0	(57,269)	0	0	266,439
Howard University Retirement Trust	323,708	444	(57,713)	0	(57,269)	0	0	266,439
SVB Strategic Investors Fund III, L.P.	1,294,830	1,777	(230,854)	0	(229,077)	0	0	1,065,753
Venture Investment Associates VI, LP	776,900	1,066	(138,512)	0	(137,446)	0	0	639,454
WSI Investments, Inc.	647,416	888	(115,427)	0	(114,539)	0	0	532,877
Alexandria Equities, LLC	323,708	444	(57,713)	0	(57,269)	0	0	266,439
United Gulf Investments, Ltd.	258,966	355	(46,171)	0	(45,816)	0	0	213,150
	<u>\$15,009,390</u>	<u>\$20,597</u>	<u>(\$2,676,003)</u>	<u>\$0</u>	<u>(\$2,655,406)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$12,353,984</u>
<u>General Partner:</u>								
CHP III Management LLC	151,610	208	(27,030)	0	(26,822)	0	0	124,788
Total Partnership	<u>\$15,161,000</u>	<u>\$20,805</u>	<u>(\$2,703,033)</u>	<u>\$0</u>	<u>(\$2,682,228)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$12,478,772</u>

* - Statement of Partners' Accounts includes Contributions made by the General Partner in the form of Promissory Notes.