SCIENTIFIC HEALTH DEVELOPMENT II, LTD.

2013
THIRD QUARTER

SCIENTIFIC HEALTH DEVELOPMENT
HEALTH RESEARCH AND INNOVATION

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September 30, 2013

Dear Scientific Health Development II, Ltd. Investors,

Thank you for your continued support of Scientific Health Development II, Ltd. ("SHD II"). We are excited for the prospects of our fund and are pleased to announce our third quarter 2013 report. Some key points to note include:

- **Overview.** SHD II is poised to be an extremely successful investment fund. Prior to quarter end we had invested in seven companies, and we are very excited with the progress made and strategic interest in our SHD II portfolio companies thus far. Over the next six months we expect to make our final new portfolio company investment and continue to add value to our current portfolio companies until they are ripe for an acquisition. In the third quarter Loma Vista Medical closed its acquisition by Bard. Thus far the exit has resulted in a distribution of 2.0x to SHD II limited partners and we expect this figure to rise to over 2.9x after distributing the release of escrowed funds and receiving milestone payments. Please refer to Page 10 and Appendix B for further details on the acquisition. We are very excited about where the fund stands at this time and hope to bring additional good news in the near future.

- **New Investments.** In the third quarter, SHD II invested a total of $300,000 in portfolio companies. SHD II invested $300,000 in convertible notes with new portfolio company Potrero Medical, Inc. Please refer to page 11 and Appendix A for more detail on this recent investment. Subsequent to quarter end, SHD II made its $1,000,000 follow on investment in existing portfolio company Azevan Inc., which will be detailed in full in our fourth quarter report.

- **$9.20 Million Invested.** As of the end of the third quarter, SHD II has invested a cumulative total of $9,198,133 in seven portfolio companies.

- **Distributions.** In the third quarter, SHD II made a distribution to limited partners of $4.0 million, or 25.6% of aggregate capital commitments. Cumulative distributions as of the end of the third quarter to SHD II limited partners totaled $4.0 million, which represents 25.6% of aggregate capital commitments and 29.0% of capital called to date.

- **Potential Milestone Payments.** In addition to distributions made to date, SHD II is entitled to receive its pro rata share of certain success-based milestone payments associated with the exit events consummated thus far. SHD II's portion of potential future milestones totals over $1.8 million from the Loma Vista acquisition. Refer to Appendix B for more detail on other future milestone payments.

- **Capital Calls/Remaining Capital.** During the third quarter, SHD II made a capital call of 20%. This was the first capital made since October of 2012, and as of the end of the third quarter, SHD II has called a total of 88%, or $13,772,000, of its aggregate capital commitments of $15,650,000. The next capital call will most likely be in the spring of 2014.

- **Deal Flow.** During the third quarter, SHD II reviewed 21 potential investment opportunities. We remain pleased with the quantity and quality of our recent deal flow, and will continue to monitor a few of these companies for potential future investment.

- **Expenses.** SHD II shares general overhead expenses with SHD I on an allocated basis. Since December 1, 2012, SHD II's portion of these expenses has been 95%, and we expect the allocation to remain at 95% for the foreseeable future, until our next fund has been raised. In addition, SHD II performs financial consulting services for multiple portfolio companies that now pay us a flat monthly fee, which helps us minimize expenses. Please refer to Appendix C for further details on the consulting income.

- **Reporting.** In an effort to reduce environmental waste and decrease expenses on an ongoing basis, SHD II has decided to "go paperless" in regards to our quarterly reports. We will deliver each quarter's report via electronic mail, but also have set up a secure limited partner login area on our website: www.shdpartners.com. After logging in, each partner will have access to every quarterly report available to date. The login id is 'SHD_II' and the password is 'maple2010'. If you still prefer to receive a hard version of the report, we will continue to accommodate on an as-requested basis.

- **Note on Valuation**. Appendix A contains the valuation for the portfolio at quarter end. In calculating valuation, we use the basis for the investment unless (a) the investment has earned contractual-based interest in which case we include earned interest (b) a subsequent financing event has occurred in which case we mark to that valuation, (c) the company has ceased operations with no prospects for recovery in which case we write off or (d) the company has suffered what we have determined to be a permanent impairment in value. These valuations are not reflective of the ultimate value that we expect to receive from the investments including the significant value inflection points that have occurred.

Please feel free to contact Carter Meyer at 214.303.1540 at any time if you would like more detail on activities or what we expect from these investments. As we progress through 2013, we will continue to keep you informed of any major changes to our portfolio. Please contact us with any questions.

Sincerely,

Philip Romano	Stuart Fitts	Carter Meyer
General Partner	General Partner	General Partner & CEO

PORTFOLIO COMPANY OVERVIEWS

Azevan Pharmaceuticals, Inc.

Therapeutics for stress-related central nervous system disorders

Headquarters: Bethlehem, PA

Business:

Azevan Pharmaceuticals, Inc. ("AZN") is a clinical stage, small molecule drug development company developing novel therapeutics to treat disorders of stress, mood, and behavior. The Company's first clinical compounds selectively block the effects of arginine vasopressin, a peptide neurohormone involved in the pathophysiology of major depression, intermittent explosive disorder, impulse control/anger disorders, and post-traumatic stress disorder (PTSD). Vasopressin receptor antagonists represent a novel mechanism of action for addressing these indications.

SHD II Board Observer
Carter Meyer

Board Members
Neal Simon (Co-founder, CEO)
Geoff Smith (Ascent BioVentures)
Michael Pavia (Pharmaceutical industry veteran)
Morton Hyman (Ex-Chairman, Continuum Health)
Paul Maddon (founder of Progneics Pharma, Inc.)

Other Notable Investors
Ascent BioVentures

SHD II Investment History

Date Purchased	*Security Owned*	*SHD II Investment at Cost*	*Total Amount Raised in Round*	*Pre-Money Valuation*	*SHD II Ownership Position*	*SHD II Investment at Market Value*	*Return on Invested Capital*
Mar-12	Pfd.B	$100,000	$4,725,000	$16,602,221	0.455%	$100,000	1.000x
Apr-12	Pfd.B	$650,000	$4,725,000	$16,602,221	2.958%	$650,000	1.000x
TOTAL		**$750,000**	**$10,659,493**		**3.413%**	**$750,000**	**1.000x**

Basis for Valuation: Pfd.B round of financing (February 2009)

Post Money Valuation: $ 21,978,021

Current Status:

In the third quarter, Azevan continued raising a Series C Preferred Stock round of between $3.8 million and $6.5 million, the proceeds of which will be used to run one phase 2a clinical trial (if raise is closer to $3.8 million) or two phase 2a clinical trials (if raise is closer to $6.5 million). SHD II will be the lead investor with a $1.0 million investment and Ascent BioVentures, the largest shareholder of Azevan, will invest $2.0 million. In addition, SHD II gathered investors in a co-investment vehicle (SHD Co-Invest, LLC) that is adding an additional $895,000 investment in Azevan. As of the writing of this report, the company has secured approximately $4.65 million for its fundraising. The SHD II investment was made early in the fourth quarter, and we will detail this investment in our next quarterly report.

The company also began preparation for a clinical trial and made good progress on a number of grant prospects which would allow additional studies without incremental dilution.

Channel MedSystems, Inc.
Cryoablation technology

Headquarters: San Francisco, CA

Business:
Channel MedSystems, Inc. ("CMS") is a medical device company developing a cryoablation technology that can be used in multiple places within the body. The company is currently focusing on the endometrial ablation market; however the platform technology will be applicable in other areas including esophageal ablation.

SHD II Board Member
Carter Meyer

Other Board Members
Dan Burnett (Founder)
Ric Cote (CEO, former SVP of Conceptus)
Tony Natale (Managing Partner, Aperture)
Andrew Farqharson (Managing Partner, Incube)

Other Notable Investors
Boston Scientific Corporation
Aperture Venture Partners
Incube Ventures

SHD II Investment History

Date Purchased	*Security Owned*	*SHD II Investment at Cost*	*Total Amount Raised in Round*	*Pre-Money Valuation*	*SHD II Ownership Position*	*SHD II Investment at Market Value*	*Return on Invested Capital*
Feb-11	Pfd.A	$25,000	$1,000,000	$1,900,000	0.389%	$94,657	3.786x
Mar-11	Pfd.A	$25,000	$1,000,000	$1,900,000	0.385%	$93,589	3.744x
Apr-11	Pfd.A	$50,000	$1,000,000	$1,900,000	0.765%	$186,129	3.723x
Jun-11	Pfd.A	$100,000	$1,000,000	$1,900,000	1.518%	$369,229	3.692x
Jun-11	Pfd.A	$300,000	$1,000,000	$1,900,000	4.528%	$1,101,631	3.672x
Dec-11	Pfd.A	$500,000	$1,000,000	$1,900,000	7.547%	$1,836,053	3.672x
Apr-12	Pfd.B	$250,000	$9,700,000	$13,248,688	1.958%	$476,350	1.905x
Sep-12	Pfd.B	$150,000	$9,700,000	$13,248,688	1.142%	$277,848	1.852x
Jan-13	Common	$0	NA	NA	0.100%	$8,750	NA
TOTAL		**$1,400,000**	**$10,720,112**		**18.332%**	**$4,444,235**	**3.174x**

Basis for Valuation: Pfd.B round of financing (April 2013) **Post Money Valuation:** $ 24,328,026

Current Status:
In the third quarter, CMS continued development of its cryoablation device and made strong progress on the commercial embodiment of the device. The company has continued toward its pilot study, which is slated to commence in November. The pilot study will include approximately 30 to 40 patients at three centers in Canada, and should provide the company enough data to support a larger pivotal study, or potentially reach a partnering transaction/acquisition with a large medical device company.

There has been significant interest from potential acquirers, which the company is taking very seriously while ensuring not to become distracted from the development of its device. We are extremely excited for the progress of CMS and believe the company will deliver a best in class office based solution for endometrial ablation in addition to a high level of value for SHD II.

Complexa, Inc.
Therapeutics for kidney based diseases

Headquarters: Pittsburgh/Philadelphia, PA

Business:
Complexa, Inc. ("CXA") is a preclinical drug development company developing nitro fatty acids, powerful anti-inflammatory modulators. The company's first clinical compound is being developed to reduce the incidence of contrast induced nephropathy ("CIN"), a condition associated with many imaging procedures performed today. The company plans to use its compound to also potentially treat other conditions that are affected by inflammation.

SHD II Board Member
Carter Meyer
Other Board Members
Joshua Tarnoff (CEO)
H. Joseph Reiser (Pharma industry veteran)
Peter Grebow (former EVP of Cephalon)
Hank Safferstein (Pharma executive/entrepreneur)
Wistar Morris (Prolific life sciences investor)
Other Notable Investors
Upstart Ventures
Innovation Works
Pittsburgh Life Science Greenhouse

SHD II Investment History

Date Purchased	*Security Owned*	*SHD II Investment at Cost*	*Total Amount Raised in Round*	*Pre-Money Valuation*	*SHD II Ownership Position*	*SHD II Investment at Market Value*	*Return on Invested Capital*
Apr-12	Pfd.A	$250,000	$3,334,476	$4,500,000	3.112%	$252,848	1.011x
May-12	Pfd.A	$599,999	$3,334,476	$4,500,000	7.385%	$599,999	1.000x
Dec-12	Pfd.A	$850,000	$3,334,476	$4,500,000	10.463%	$850,000	1.000x
Apr-13	Convertible Note	$300,000	$1,400,000	NA	NA	$310,163	1.034x
TOTAL		**$1,999,999**	**$3,379,476**		**20.960%**	**$2,013,010**	**1.007x**

Basis for Valuation: Pfd.A round of financing (May 2012) **Post Money Valuation:** $ 8,124,230

Current Status:

Complexa filed its investigational new drug application with the FDA during the third quarter and is working to resolve some minor questions pertaining thereto. The company expects the IND to be cleared during the fourth quarter which will allow it to commence its first human clinical trial, likely in January 2014. This summer Complexa entered into a material transfer agreement with Sanofi Genzyme whereby Sanofi would test Complexa's drug in a pre-agreed upon animal model. Sanofi also tested a drug that it considered to be the gold standard for that animal model and Complexa's drug was either as good or better than the gold standard. Sanofi's internal team has enthusiastically endorsed our program which Complexa has been led to believe will result in Sanofi's venture arm participating in the Series B round (discussed below).

To enhance its negotiating position for the Series B financing and not unduly slow development, Complexa coordinated a $3 million convertible financing which was oversubscribed and will be closed during the fourth quarter. In addition, SHD II gathered investors in a co-investment vehicle (SHD Co-Invest, LLC) that is participating through an $895,000 investment in Complexa. The company made strong progress on its Series B financing which now appears to be closing much sooner than expected. Finally, as the company has progressed in its development, interest from strategics has increased.

EMKinetics, Inc.

Non-invasive treatment of overactive bladder syndrome

Headquarters: San Francisco, CA

Business:

EMKinetics, Inc. ("EMK") has developed a device for the treatment of overactive bladder syndrome and urinary incontinence. The device uses electrical stimulation to non-invasively deliver a well established therapy currently administered via an implantable device or needles. The company is currently in the developmental stage and working towards FDA approval and CE Mark for its device.

EMKinetics

SHD II Board Member
Carter Meyer
Other Board Members
Dan Burnett (Co-founder)
Kevin Finney (VP Business Dev., Allergan)
Hugh Narciso (Entrepreneur, CEO of BaroNova)
Other Notable Investors
Allergan, Inc.

SHD II Investment History

Date Purchased	*Security Owned*	*SHD II Investment at Cost*	*Total Amount Raised in Round*	*Pre-Money Valuation*	*SHD II Ownership Position*	*SHD II Investment at Market Value*	*Return on Invested Capital*
Nov-09	Pfd.B	$150,000	$3,827,724	$4,000,000	1.173%	$315,699	2.105x
Feb-10	Pfd.B	$850,000	$3,827,724	$4,000,000	6.506%	$1,750,971	2.060x
Jul-10	Pfd.B	$600,000	$3,827,724	$4,000,000	4.592%	$1,235,980	2.060x
Jun-11	Pfd.C	$79,150	$7,937,162	$17,900,000	0.395%	$106,432	1.345x
Jun-11	Pfd.C	$34,000	$7,937,162	$17,900,000	0.170%	$45,658	1.343x
Jul-11	Pfd.C	$284,987	$7,937,162	$17,900,000	1.059%	$284,987	1.000x
Feb-13	Common	$0	NA	NA	0.498%	$20,246	NA
TOTAL		**$1,998,138**	**$12,096,682**		**14.393%**	**$3,759,974**	**1.882x**

Basis for Valuation: Pfd.C round of financing (July 2011)

Post Money Valuation: $ 26,913,561

Current Status:

In the third quarter, EMK continued to develop its device for non-invasive treatment for urinary urge incontinence and overactive bladder. The company, unfortunately, had two setbacks in the quarter which were both related to personnel. We are sorry to report that EMK's VP of R&D unexpectedly and tragically passed away at 49 years old. In addition, the CEO candidate the company had hoped to bring on accepted a high level position with Cyberonics (a $1 billion medical device company based in Houston, TX). The company has rebounded and is working to finalize its device and conduct a clinical trial; however, timing has been pushed back from prior estimates. In addition, the company has identified migraine therapy as another potential condition its therapy can treat and has been working with a thought leader at UCSF to design and conduct a small proof of principle study. The study is expected to commence prior to year end with results available in 2014. The company's major investors, including Allergan, remain supportive which is important as a path forward is identified.

Loma Vista Medical, Inc.
Non-compliant medical inflatable technology

Headquarters: Burlingame, CA

Shareholder Representative
Carter Meyer

Business:
Loma Vista Medical, Inc. ("LVM") is a medical device company that has developed non-compliant, high pressure medical inflatable technology. The puncture resistant composite materials used in creating LVM's balloons can withstand pressures far beyond current technology, with a nominal amount of shape change. The company is currently focusing on balloons utilized in the transcatheter aortic valve implantation (TAVI) market; however, the technology has uses in other markets including kyphoplasty.

SHD II Investment History

Date Purchased	*Security Owned*	*SHD II Investment at Cost*	*Total Amount Raised in Round*	*Pre-Money Valuation*	*SHD II Ownership Position*	*SHD II Realized Proceeds*	*Realized Return on Invested Capital*
Apr-10	Pfd.B	$500,000	$1,556,115	$5,300,000	3.919%	$1,087,235	2.174x
Jun-10	Pfd.B	$200,000	$1,556,115	$5,300,000	1.568%	$434,894	2.174x
Jul-10	Pfd.B	$300,000	$1,556,115	$5,300,000	2.351%	$652,341	2.174x
Jan-11	Pfd.C	$150,000	$4,851,588	$8,931,522	1.307%	$362,526	2.417x
Mar-11	Pfd.C	$216,032	$4,851,588	$8,931,522	1.852%	$513,706	2.378x
Jun-11	Pfd.C	$150,000	$4,851,588	$8,931,522	0.949%	$263,164	1.754x
Sep-11	Pfd.C	$183,967	$4,851,588	$8,931,522	1.150%	$319,172	1.735x
Jan-13	Pfd.D	$300,000	$2,696,007	$19,000,000	1.436%	$398,339	1.328x
TOTAL		**$1,999,999**	**$11,098,870**		**14.530%**	**$4,031,377**	**2.016x**

Basis for Valuation: Actual proceeds received from sale of company

Post Money Valuation: $ 21,134,184

Current Status:

On July 30, 2013, Loma Vista Medical, Inc. was acquired by Bard Peripheral Vascular, a division of C.R. Bard, a $9.5 billion global medical device company. Deal terms include a $32 million upfront payment in addition to LVM's cash balance and other minor positive adjustments, a first milestone of $4 million to be paid upon FDA clearance and receipt of CE Mark for the flow-through balloon design, and a second milestone of $4 million to be paid upon the earlier of (a) completion of manufacturing transfer or (b) 24 months from closing. Please refer to Appendix B for further detail on proceeds from the agreement. ****Please note the terms of the transaction are confidential, so please do not disclose. ****

Potrero Medical, Inc.
Foley catheter related technology

Headquarters: San Francisco, CA

Business:
Potrero Medical, Inc. ("PMI") is a medical device company that is developing technology to improve the drainage and measurement of urine output. The devices being developed will prevent air locks which are common problems with Foley catheters, and accurately measure urine output, which is a vital health measurement especially in a critical care setting.

SHD II Board Member
Carter Meyer
Other Board Members
Dan Burnett (Founder, Serial entrepreneur)
Other Notable Investors
NA

SHD II Investment History

Date Purchased	*Security Owned*	*SHD II Investment at Cost*	*Total Amount Raised in Round*	*Pre-Money Valuation*	*SHD II Ownership Position*	*SHD II Investment at Market Value*	*Return on Invested Capital*
Jul-13	Convertible Note (Pfd.A)	$100,000	$300,000	NA	0.000%	$101,787	1.018x
Sep-13	Convertible Note (Pfd.A)	$200,000	$300,000	NA	0.000%	$200,127	1.001x
TOTAL		**$300,000**	**$309,500**		**0.000%**	**$301,913**	**1.006x**

Current Status:

Potrero Medical is SHD II's newest portfolio company and is the most recent company founded by Dr. Dan Burnett. Potrero is developing technology to improve the drainage and measurement of urine output. Urine output is a very important measure, especially in the acute care setting. Potrero is developing a urine output monitor which will be the only monitor capable of accurate, continuous urine output measurement. Current methods for measuring urine output are inaccurate because air locks form in the Foley catheters or tubing draining the bladder. The air locks stop the flow of urine and must be manually broken up by manipulating the catheter which is unnecessary extra work and uncomfortable for the patient. This is a common problem which others have unsuccessfully tried to solve (we know that one major medical device company has a directive to solve this problem). Potrero has developed a simple and effective device to ensure air locks are quickly broken. The device will be part of the urine output monitor but also available as a standalone solution to be used with any Foley catheter.

Potrero has developed several generations of working prototypes and is working towards a commercially available version anticipated to be available in first half of 2014. Potrero's technology has already garnered the attention of strategics and clinicians and has been presented at domestic and international medical conferences with very positive reception.

Sight Sciences, Inc.

Glaucoma treatment device

Headquarters: Menlo Park, CA

Business:
Sight Sciences, Inc. ("SSI") is a medical device company that is developing a safe and easy treatment for glaucoma patients. The device will restore the patency of Schlemm's canal in the eye, thereby allowing aqueous humor to drain properly and ultimately lowering intraocular pressure and preventing glaucoma from reaching more severe stages.

SHD II Board Member
Carter Meyer

Other Board Members
Paul Badawi (Co-founder, CEO)
David Badawi (Co-founder, Ophthalmologist)
Mack Hicks (Investor)

Other Notable Investors
Hicks Holdings, LLC

SHD II Investment History

Date Purchased	*Security Owned*	*SHD II Investment at Cost*	*Total Amount Raised in Round*	*Pre-Money Valuation*	*SHD II Ownership Position*	*SHD II Investment at Market Value*	*Return on Invested Capital*
Aug-11	Pfd.A	$149,999	$2,624,992	$6,900,000	1.575%	$149,999	1.000x
Aug-11	Warrants (Common)	$0	NA	NA	0.937%	$82,758	NA
Sep-11	Pfd.A	$599,999	$2,624,992	$6,900,000	6.299%	$599,999	1.000x
TOTAL		**$749,998**	**$2,693,957**		**8.811%**	**$832,757**	**1.110x**

Note: SHD II was issued warrants to purchase common stock for its role in leading the Series A round and providing other services to the company.

Basis for Valuation: Pfd.A round of financing (September 2011) **Post Money Valuation:** $ 9,524,992

Current Status:

In the third quarter, Sight Sciences continued development on its VASCAR, TRAB360 and TearCare devices. The company completed its first human study for TRAB360 on 14 patients at 2 centers, and had very successful outcomes. We were very pleased with the initial results and are able to report that all but 1 patient has been able to lower their intraocular pressure to normal and eliminate their glaucoma medications following the TRAB360 procedure. The doctors performing the procedure were so pleased they will start purchasing the device and implementing into their treatment paradigm. In addition the company completed its first in man study for its TearCare dry eye device with very positive outcomes as well. The next major clinical milestone is the VASCAR360 first in man which will take place shortly after FDA approval of the device (application was filed in August), which is planned for by the end of the year.

The company continues to operate under budget and on schedule. The second tranche of the company's $5.25 million raise will be funded in the fourth quarter, of which SHD II will fund its $750,000 commitment. The funds will be used to execute a larger study for TRAB 360, execute a large enough study for VASCAR to seek a glaucoma indication and continue development of the TearCare device.

SCHEDULE OF INVESTMENTS
(APPENDIX A)

Scientific Health Development II, Ltd.

Schedule of Active Investments

September 30, 2013

(unaudited)

Portfolio Company	Purchase Date	Percent Owned	Security Type	Number of Shares	Effective Cost per Share	Total Cost Basis	Estimated MV per Share	Estimated Market Value
Azevan Pharmaceuticals, Inc.	Mar-12	0.455%	Pfd.B	75,606	$ 1.323	$ 100,000	$ 1.323	$ 100,000
	Apr-12	2.958%	Pfd.B	491,441	$ 1.323	$ 650,000	$ 1.323	$ 650,000
		3.413%		567,047		$ 750,000		$ 750,000
Channel MedSystems, Inc. (1)	Feb-11	0.389%	Pfd.A	135,670	$ 0.184	$ 25,000	$ 0.698	$ 94,657
	Mar-11	0.385%	Pfd.A	134,139	$ 0.186	$ 25,000	$ 0.698	$ 93,589
	Apr-11	0.765%	Pfd.A	266,775	$ 0.187	$ 50,000	$ 0.698	$ 186,129
	Jun-11	1.518%	Pfd.A	529,209	$ 0.189	$ 100,000	$ 0.698	$ 369,229
	Jun-11	4.528%	Pfd.A	1,578,947	$ 0.190	$ 300,000	$ 0.698	$ 1,101,631
	Dec-11	7.547%	Pfd.A	2,631,579	$ 0.190	$ 500,000	$ 0.698	$ 1,836,053
	Apr-12	1.958%	Pfd.B	682,743	$ 0.366	$ 250,000	$ 0.698	$ 476,350
	Sep-12	1.142%	Pfd.B	398,234	$ 0.377	$ 150,000	$ 0.698	$ 277,848
	Jan-13	0.100%	Common	35,000	$ -	$ -	$ 0.250	$ 8,750
		18.332%		6,392,296		$ 1,400,000		$ 4,444,235
Complexa, Inc. (2)	Apr-12	3.112%	Pfd.A	138,699	$ 1.802	$ 250,000	$ 1.823	$ 252,848
	May-12	7.385%	Pfd.A	329,127	$ 1.823	$ 599,999	$ 1.823	$ 599,999
	Dec-12	10.463%	Pfd.A	466,264	$ 1.823	$ 850,000	$ 1.823	$ 850,000
	Apr-13	NA	Convertible Note	-	NA	$ 300,000	$ 1.823	$ 310,163
		20.960%		934,090		$ 1,999,999		$ 2,013,010
EMKinetics, Inc. (3)	Nov-09	1.173%	Pfd.B	251,237	$ 0.597	$ 150,000	$ 1.257	$ 315,699
	Feb-10	6.506%	Pfd.B	1,393,442	$ 0.610	$ 850,000	$ 1.257	$ 1,750,971
	Jul-10	4.592%	Pfd.B	983,606	$ 0.610	$ 600,000	$ 1.257	$ 1,235,980
	Jun-11	0.395%	Pfd.C	84,700	$ 0.934	$ 79,150	$ 1.257	$ 106,432
	Jun-11	0.170%	Pfd.C	36,335	$ 0.936	$ 34,000	$ 1.257	$ 45,658
	Jul-11	1.059%	Pfd.C	226,796	$ 1.257	$ 284,987	$ 1.257	$ 284,987
	Feb-13	0.498%	Common	106,558	$ 0.190	$ -	$ 0.190	$ 20,246
		14.393%		3,082,674		$ 1,998,138		$ 3,759,974
Potrero Medical, Inc. (4)	Jul-13	0.000%	Convertible Note (Pfd.A)	-	NA	$ 100,000	NA	$ 101,787
	Sep-13	0.000%	Convertible Note (Pfd.A)	-	NA	$ 200,000	NA	$ 200,127
		0.000%		-		$ 300,000		$ 301,913
Sight Sciences, Inc. (5)	Aug-11	1.575%	Pfd.A	108,695	$ 1.380	$ 149,999	$ 1.380	$ 149,999
	Aug-11	0.937%	Warrants (Common)	64,655	NA	$ -	$ 1.280	$ 82,758
	Sep-11	6.299%	Pfd.A	434,782	$ 1.380	$ 599,999	$ 1.380	$ 599,999
		8.811%		608,132		$ 749,998		$ 832,757
Total						**$ 7,198,134**		**$ 12,101,889**

Notes: See following page

Scientific Health Development II, Ltd.

Schedule of Active Investments

September 30, 2013

(unaudited)

Notes:

(1) The February, March, April and initial June 2011 investments were made as bridge notes that converted into Pfd.A shares. These investments earned 8% interest annually, of which the entire principal and interest amount converted into Pfd.A shares upon closing of the round resulting in effective prices per share of $0.184, $0.186, $0.187, and $0.189, respectively. The April and September 2012 investments were made as bridge notes that converted into Pfd.B shares. These investments earned 8% interest annually, of which the entire principal and interest amount converted into Pfd.B shares at a discounted rate upon closing of the round resulting in effective prices per share of $0.366 and $0.377, respectively. In January 2013, SHD II was granted 35,000 common shares for its role in providing financial consulting services. These shares have been valued at the current common share priced based on an independant 409A valuation dated March 31, 2013.

(2) The April 2012 investment was made as a bridge note that converted into Pfd.A shares. The market value reflects the 8% annual earned interest, of which the entire principal and interest amount converted into Pfd.B shares upon closing of the round resulting in an effective price per share of $1.802.

(3) The November 2009 investment was made as a bridge note that converted into Pfd.B shares. The market value reflects the 8% annual earned interest, of which the entire principal and interest amount converted into Pfd.B shares upon closing of the round resulting in an effective price per share of $0.597. The June 2011 investments were made as part of a bridge note that converted into Pfd.C shares. The market value reflects the 8% annual earned interest, of which the entire principal and interest amount converted into Pfd.C shares at a 25% discount upon closing of the round resulting in effective prices per share of $0.934 and $0.936, respectively. In January 2013, SHD II was granted 106,558 common shares for its role in providing financial consulting services. These shares have been valued at the current common share priced based on an independant 409A valuation dated December 21, 2012.

(4) The July and September 2013 investmens were made as bridge notes that will convert into Pfd.A shares. The market value reflects the 8% annual earned interest, of which the entire principal and interest amount will convert into Pfd.A shares upon closing of the round.

(5) The August and September 2011 investments were made as part of a tranched Pfd.A round of financing. In addition, and in connection with the Pfd.A financing, SHD II was issued warrants to purchase common shares for our role in leading the Pfd.A round and providing other services to the company. The options are valued at the difference between the current Pfd. A price per share and the exercise price.

Scientific Health Development II, Ltd.

Schedule of Sold, Licensed or Inactive Investments

September 30, 2013

(unaudited)

Portfolio Company	Purchase Date	Security Type	Total Cost Basis	Realized Proceeds to Date	Realized Multiple on Investment to Date	Gain/(Loss) Realized to Date	Remaining Potential Proceeds	Total Potential Multiple on Investment
Loma Vista Medical, Inc. [1]	Apr-10	Pfd.B	$ 500,000	$ 1,087,235	2.174x	$ 587,235	$ 508,656	3.19x
	Jun-10	Pfd.B	$ 200,000	$ 434,894	2.174x	$ 234,894	$ 203,462	3.19x
	Jul-10	Pfd.B	$ 300,000	$ 652,341	2.174x	$ 352,341	$ 305,194	3.19x
	Jan-11	Pfd.C	$ 150,000	$ 362,526	2.417x	$ 212,526	$ 169,605	3.55x
	Mar-11	Pfd.C	$ 216,032	$ 513,706	2.378x	$ 297,674	$ 240,334	3.49x
	Jun-11	Pfd.C	$ 150,000	$ 263,164	1.754x	$ 113,164	$ 123,120	2.58x
	Sep-11	Pfd.C	$ 183,967	$ 319,172	1.735x	$ 135,205	$ 149,323	2.55x
	Jan-13	Pfd.D	$ 300,000	$ 398,339	1.328x	$ 98,339	$ 186,360	1.95x
			$ 1,999,999	$ 4,031,377	2.016x	$ 2,031,378	$ 1,886,054	2.96x
Total			**$ 1,999,999**	**$ 4,031,377**	**2.016x**	**$ 2,031,378**	**$ 1,886,054**	**2.96x**

Notes:

[1] Loma Vista Medical was acquired by CR Bard in July 2013. The remaining potential proceeds include the release of escrowed funds and two milestones, all of which are expected to occur periodically but within 2 years of closing.

EXIT EVENT MILESTONE ANALYSIS
(APPENDIX B)

Scientific Health Development II, Ltd.

Exit Event Milestone Analysis

September 30, 2013

			Realized		Potential		Overall	
Portfolio Company	**Date**	**Description**	**Payment to Portfolio Company**	**SHD Distribution to Limited Partners**	**Payment to Portfolio Company**	**Estimated SHD Distribution**	**Payment to Portfolio Company**	**Estimated SHD Distribution**
Loma Vista Medical, Inc.								
	7/30/2013	Closing	$ 27,626,080	$ 4,000,000			$ 27,626,080	$ 4,000,000
		1st Escrow Release (Closing reconciliation; 90 days)			$ 500,000	$ 72,652	$ 500,000	$ 72,652
		2nd Escrow Release (12 months post closing)			$ 1,568,000	$ 227,838	$ 1,568,000	$ 227,838
		3rd Escrow Release (18 months post closing)			$ 2,912,000	$ 423,127	$ 2,912,000	$ 423,127
		Milestone 1: FDA and CE Mark approval on Flow-through			$ 4,000,000	$ 581,218	$ 4,000,000	$ 581,218
		Milestone 2: Manufacturing Transfer			$ 4,000,000	$ 581,218	$ 4,000,000	$ 581,218
Loma Vista, Inc. Total			$ 27,626,080	$ 4,000,000	$ 12,980,000	$ 1,886,054	$ 40,606,080	$ 5,886,054
Return on LVM Investment				*2.00x*		*0.94x*		*2.94x*
SHD II Totals			**$ 27,626,080**	**$ 4,000,000**	**$ 12,980,000**	**$ 1,886,054**	**$ 40,606,080**	**$ 5,886,054**
Return on SHD II				*0.26x*		*0.12x*		*0.38x*

SCIENTIFIC HEALTH DEVELOPMENT II, LTD.
FINANCIAL STATEMENTS
(APPENDIX C)

Scientific Health Development II, Ltd.

Quarterly Balance Sheet

September 30, 2013

(unaudited)

Account	Q1	Q2	Q3
Assets			
Cash/Checking	$ 782,710	$ 331,867	$ 2,419,715
Cash Equivalents	$ 4	$ 4	$ 4
Accounts Receivable	$ 3,000	$ 8,120	$ 7,000
Total Current Assets	$ 785,714	$ 339,991	$ 2,426,719
Gross Fixed Assets	$ 2,559	$ 2,559	$ 2,559
Accumulated Depreciation	$ (245)	$ (373)	$ (501)
Total Net Fixed Assets	$ 2,313	$ 2,185	$ 2,057
Due from SHD GP II, LLC	$ 1,064	$ 1,064	$ 926
Due from Class A Limited Partners	$ -	$ -	$ 720,000
Due from Class B Limited Partners	$ 100	$ 100	$ 100
Due from SHD Management, LLC	$ -	$ 34,807	$ -
Total Due from Affiliates	$ 1,164	$ 35,972	$ 721,026
Investment in EMKinetics, Inc.	$ 2,018,384	$ 2,018,384	$ 2,018,384
Investment in Loma Vista Medical, Inc.	$ 1,999,999	$ 1,999,999	$ -
Investment in Channel MedSystems, Inc.	$ 1,401,400	$ 1,401,400	$ 1,401,400
Investment in Sight Sciences, Inc.	$ 749,998	$ 749,998	$ 749,998
Investment in Azevan Pharmaceuticals, Inc.	$ 750,000	$ 750,000	$ 750,000
Investment in Complexa, Inc.	$ 1,700,000	$ 2,000,000	$ 2,000,000
Investment in Potrero Medical, Inc.	$ -	$ -	$ 300,000
Total Investments in Portfolio Companies	$ 8,619,781	$ 8,919,781	$ 7,219,782
Organizational Costs	$ 7,340	$ 7,340	$ 7,340
Accumulated Amortization	$ (2,385)	$ (2,569)	$ (2,752)
Total Net Organizational Costs	$ 4,954	$ 4,771	$ 4,587
TOTAL ASSETS	**$ 9,413,927**	**$ 9,302,699**	**$ 10,374,171**
Liabilities			
Accounts Payable	$ -	$ -	$ -
Total Current Liabilities	$ -	$ -	$ -
Due to SHD Management, LLC	$ 8,052	$ -	$ 41,571
Total Due To Affiliates	$ 8,052	$ -	$ 41,571
Equity			
Partner Capital - SHD GP II, LLC	$ 1,064	$ 1,064	$ 1,377
Partner Capital - Class A Limited Partners	$ 10,642,000	$ 10,642,000	$ 13,772,000
Partner Capital - Class B Limited Partners	$ 100	$ 100	$ 100
Prior Years' Retained Earnings	$ (1,152,674)	$ (1,152,674)	$ (1,152,674)
Current Year's Net Income	$ (84,615)	$ (187,791)	$ 1,712,249
Accumulatued Distributions - SHD GP II, LLC	$ -	$ -	$ (451)
Accumulatued Distributions - Class A Limited Partners	$ -	$ -	$ (4,000,000)
Accumulatued Distributions - Class B Limited Partners	$ -	$ -	$ -
Total Equity	$ 9,405,875	$ 9,302,699	$ 10,332,601
TOTAL LIABILITIES & EQUITY	**$ 9,413,927**	**$ 9,302,699**	**$ 10,374,171**

Scientific Health Development II, Ltd.

Quarterly Income Statement

September 30, 2013

(unaudited)

Account	Q1	Q2	Q3	YTD
Revenues				
Proceeds from Sale of Investments	$ -	$ -	$ 4,031,377	$ 4,031,377
Less: Original Investment (Basis)	$ -	$ -	$ (1,999,999)	$ (1,999,999)
Total Gain/(Loss) on Sale of Investments	$ -	$ -	$ 2,031,378	$ 2,031,378
Operating Expenses				
Bank Service Charges	$ -	$ -	$ -	$ -
Consulting Fees	$ -	$ -	$ -	$ -
Continuing Education	$ -	$ 808	$ -	$ 808
Insurance	$ 12,226	$ 10,402	$ 10,416	$ 33,044
Meals & Entertainment	$ 504	$ 3,508	$ 328	$ 4,341
Miscellaneous Expense	$ 45	$ -	$ -	$ 45
Office Expense	$ 687	$ 595	$ 807	$ 2,089
Payroll Expense	$ 87,941	$ 87,578	$ 102,056	$ 277,575
Postage & Delivery	$ 109	$ 160	$ 273	$ 541
Legal & Accounting Fees	$ -	$ -	$ 16,873	$ 16,873
Rent	$ 10,790	$ 10,837	$ 11,310	$ 32,937
Taxes	$ -	$ -	$ -	$ -
Telephone	$ 793	$ 861	$ 861	$ 2,516
Travel	$ 1,819	$ 4,615	$ 1,072	$ 7,506
Website & Computer Expense	$ 36	$ -	$ 2,030	$ 2,066
Total Operating Expenses	$ 114,950	$ 119,364	$ 146,027	$ 380,340
Net Operating Profit	$ (114,950)	$ (119,364)	$ 1,885,351	$ 1,651,038
Consulting Income	$ 30,646	$ 16,500	$ 15,000	$ 62,146
Depreciation/Amortization	$ (311)	$ (311)	$ (311)	$ (934)
Interest Income/(Expense)	$ -	$ -	$ -	$ -
Net Income	**$ (84,615)**	**$ (103,175)**	**$ 1,900,040**	**$ 1,712,249**