

**CHP II, L.P.**  
**QUARTERLY REPORT**  
**3<sup>rd</sup> QUARTER, 2008**

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If you have any questions regarding treatment of any confidential information received in connection with your investment in the Funds, please contact John J. Park at (609) 924-6452 or by email at [johnpark@cardinalpartners.com](mailto:johnpark@cardinalpartners.com).

**CHP II, L.P.**  
**QUARTERLY REPORT**  
**3rd QUARTER, 2008**  
**TABLE OF CONTENTS**

QUARTERLY ACTIVITY SUMMARY .....	1
FINANCIAL STATEMENTS .....	4
PORTOFOLIO VALUATION .....	15
ALLIANCECARE, INC. (a/k/a MOBILE MEDICAL INDUSTRIES).....	22
ATHENAHEALTH, INC. ....	25
ATYR PHARMA, INC. ....	27
AXOGEN, INC. ....	30
CARDIO-OPTICS, INC. ....	33
CODERYTE, INC. ....	34
MITRALSOLUTIONS, INC. ....	37
REPLICATION MEDICAL, INC. ....	40
RIB-X PHARMACEUTICLAS, INC. ....	43

TO: The Limited Partners  
FROM: John K. Clarke  
DATE: November 12, 2008  
SUBJECT: Activity for the Quarter Ended September 30, 2008

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Highlights for the third quarter of 2008 include: further investor liquidity from Athenahealth distributions, a significant financing for CodeRyte, and continued excellent clinical progress at aTyr Pharma, AxoGen, Mitral Solutions, and Rib-X Pharmaceuticals. The following are short summaries of activity for the quarter in each of the CHP II portfolio companies.

**AllianceCare (aka Mobile Medical Industries)** - Financial performance at AllianceCare has shown significant improvement over last year, but remains below expectations. Revenues for the current quarter were well below forecast primarily due to a significant drop in patient recertification's resulting from stricter compliance procedures enacted by the new management team this summer. The Home Health division made up the majority of the revenue deficit, with a resulting decrease in gross margin. Management has enacted reductions in direct costs associated with this group to bring margins back in line with forecast next quarter. EBITDA for the quarter was a negative \$35K, bringing the YTD EBITDA to negative \$97K on revenues of \$66.2 million.

**AthenaHealth** - On August 13<sup>th</sup>, CHP II distributed 292,190 shares of Athenahealth (NASDAQ:ATHN) common stock at a value of \$7,687,811 (\$33.11 per share). As a result, we have booked a realized gain related to this distribution of \$6,972,666 in this quarter. Since the underwriters' lockup expired in March 2008, CHP II has distributed a total of 928,760 shares of Athena stock with a total value of \$28.3 million and recorded a combined total realized gain of \$25.4 million for the year.

Athena reported strong operating results for the quarter, adding a record number of net new physicians and providers to their network. Total revenue for the three months ended September 30, 2008, was \$35.4 million, compared to \$26.2 million for the same period last year, an increase of 355. For the quarter, the Company's Non-GAAP Adjusted EBITDA grew to \$6.1 million, compared to a Non-GAAP Adjusted EBITDA of \$4.2 million for the same period last year.

**aTyr Pharma** - During the quarter, the aTyr scientific team continued to make good progress in line with its development plan for all three product development programs; protein biologic discovery, Mini-TyrRS, and the P43 recombinant protein. The company's lead compound discovery program for Hematopoietic growth factor activity is expected to file an Investigational New Drug ("IND") application with the FDA in early 2009. Cash burn for the quarter averaged \$460K per month, which was \$70K higher than the previous period. Cash burn is forecast to accelerate to almost \$500K per month by the end of next quarter as the company builds its clinical and development programs. Current capital is expected to be sufficient to support operations well into 2009.

**AxoGen** - AxoGen had another excellent quarter of clinical and business development progress. After a sluggish beginning early in the year, sales through the distribution agreement with Stryker have picked up pace and finally met quota in September. Sales for the quarter were \$646K, bringing YTD sales to \$1.5 million. The company has generated positive gross margins for four months running. The company is well ahead of its cash forecast for 2008, with cash burn accelerating to expected levels as the company invests to support anticipated growth in product sales. Current cash resources are sufficient to support operations at these accelerated levels into Q3 2009.

**CardioOptics** – Cardio-Optics is continuing its wind-down this quarter and will likely complete a formal dissolution by the end of the year. Most of the outstanding liabilities have been resolved and asset sales are in process. Management currently expects to have approximately \$2 million available for distribution to shareholders after the liquidation process is complete. The initial distribution of funds to the shareholders is expected to be \$1.5 million and will occur by year-end 2008. Shareholder distributions will be allocated on the basis of the Series B Preferred liquidation preference. On that basis, CHP II will receive 12% of all shareholder distributions.

**CodeRyte** – For the current quarter, CodeRyte set records in both new customer sales and implementations. However, the sales shortfall in Q1 2008, coupled with an implementation lag the following quarter, has caused the company to fall behind its 2008 forecast for revenue and EBITDA. Monthly cash burn for the quarter averaged \$730K, about 10% more than forecast due to the revenue shortfall for the period. As the quarter came to a close, management reached agreement on terms for a \$13 million financing to be led by Versant Ventures. Versant will invest \$8 million at a \$43 million pre-money value, validating the post-money value of the Series C insider-led financing that closed in August 2007. This capital infusion will be more than sufficient to bring the company to cash flow breakeven, forecast for Q4 2009. The current investor syndicate will invest the remaining \$5 million, with CHP II contributing its pro rata share of \$1.1 million. The financing is scheduled to close in late October.

**Mitral Solutions** - During the quarter, Mitral has completed all necessary feasibility and safety studies for its adjustable annuloplasty ring in an open surgical setting for the treatment of patients with mitral regurgitation. The company has now successfully implanted the device in over 50 patients, with generally excellent results, and is now preparing to apply for regulatory approval in both the U.S and Europe. To support this clinical timeline, the investor syndicate completed a \$2 million bridge financing in August, with CHP II contributing \$911K. The company continues to talk to a select few potential new venture investors, but the primary focus now is on obtaining financing from a strategic partner. The board is engaging an investment banking firm to run the process going forward. The company will likely require additional financing prior to year-end and the investor syndicate is prepared to provide an extension to the current bridge.

**Replication Medical** – The company completed the redesign and mechanical testing of the new implant device at the end of last quarter and has begun human testing in China. Over the last five months, the redesigned device has been successfully implanted in 5 patients with no signs of the previous extrusion problems. The new devices utilize a stronger and more flexible polymer material than was utilized in earlier versions of the NeuDisc™ devices. This puts the timing for a pilot study IDE application to the FDA into early Q2 2009. Management currently forecasts the company has sufficient capital resources to complete initial enrollment and procedures for its pilot IDE study.

***Rib-X Pharmaceuticals*** – The two lead programs at Rib-X made significant clinical progress this quarter. Both programs are in the final stages of Phase II clinical trials and both remain on track to report results in the first half of 2009. The expense of these clinical trials remains high, but the team has made substantial cutbacks in lower level programs during 2008 to reduce cash burn. The private fundraising effort stalled at the end of the summer when it became evident that the valuation goal set by the Board would not be met. The company has sufficient capital resources to support current operations into Q1 2009. Management has recently proposed additional lower level program cuts to reduce cash burn by \$5 million next year. Terms for a \$25 million insider-led bridge financing are being discussed and should be completed by December.

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

### **Financial Results:**

During the quarter, there were no capital calls and one distribution. On August 13th, CHP II completed an in-kind distribution of Athenahealth common stock valued at 7.7 million. This brings the total value of distributions made for the first nine months of 2008 to \$71.8 million. Net income for the quarter was \$700K, consisting of; a \$428K net operating loss, plus a realized gain of \$6.97 million related to the Athenahealth distribution, offset by the reversal of the previously net unrealized gain on those Athena shares distributed this quarter totaling \$5.8 million. Cash at the end of the period was \$2.2 million and net assets totaled \$54.1 million.

### **Looking forward:**

Total cumulative distributions through September 30, 2008 stand at \$173.7 million or 157% of contributed capital. The cumulative CHP II net to investor IRR improved to 17.5% as of September 30, 2008, solidly in the upper quartile for 2000 vintage year venture funds.

Our Limited Partner Annual Meeting will be held on Thursday, November 20, 2008 at the Mandarin Oriental in New York City. We look forward to seeing many of you there. If you have any comments regarding the meeting or its content, please contact John Park at (609) 924-6452 or by email at [johnpark@cardinalpartners.com](mailto:johnpark@cardinalpartners.com).

Brandon, Lisa, John Park and I remain optimistic about the prospects for providing further significant liquidity to our investors in the coming year. We appreciate your input and support and remain committed to providing top tier returns to our investors.

***Cardinal Partners will be relocating its headquarters office on December 1, 2008***

***The new address is:***

***230 Nassau Street, Princeton, NJ 08542.***

***Telephone and facsimile numbers remain the same.***

**CHP II, L.P.**  
**Income Statement**  
**For the Period Ended September 30, 2008**

	Three Months Ended 9/30/2008	Nine Months Ended 9/30/2008
Revenue:		
Non Portfolio Income	\$7,763	\$21,739
Interest-Equivalent Amounts	0	0
Expenses:		
Management Fee	433,548	1,009,569
Professional Fees	9,862	30,550
NVCA Dues & Annual Meeting	0	4,408
Miscellaneous Expenses	704	2,461
Consulting & Diligence Expenses	0	0
Total Expenses	444,114	1,046,988
Net Operating Expense	(436,351)	(1,025,249)
Investment Income	8,343	36,813
Net Income Before Gains (Losses)	(428,008)	(988,436)
Realized Gains (Losses)	6,972,666	64,032,501
Unrealized Gains (Losses)	(5,844,237)	(39,006,236)
Net Income (Loss)	\$700,421	\$24,037,829

**CHP II, L.P.**  
**Balance Sheet**  
**As of September 30, 2008**

<b>ASSETS:</b>	Period Ended 09/30/08	Period Ended 06/30/08
Cash and Short-Term Investments	\$2,223,852	\$3,641,675
Cash Held in Escrow	0	0
Accrued Interest	24,071	20,542
Venture Capital Investments	51,932,501	57,575,639
Organization Costs (Net of Accum. Amortization)	0	0
Other Assets	750	750
	<u>\$54,181,174</u>	<u>\$61,238,606</u>
 <b>LIABILITIES &amp; CAPITAL:</b>		
Accrued Expenses and Payables	\$48,257	\$118,299
Partners' Accounts	54,132,917	61,120,307
Total Liabilities and Capital	<u>\$54,181,174</u>	<u>\$61,238,606</u>

**CHP II, L.P.**  
**Footnotes**  
**As of September 30, 2008**

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 - Accrued Interest:	9/30/2008	6/30/2008
General Partners Promissory Notes	\$0	\$0
AllianceCare 8% Convertible Note	7,490	4,307
CodeRyte 8% Convertible Note	0	16,235
MitralSolutions 8% Convertible Note	16,581	0
Total	<u>\$24,071</u>	<u>\$20,542</u>

Note 3 - Net Organization Costs:	9/30/2008	6/30/2008
Organization Costs	\$183,232	\$183,232
Accumulated Amortization	(183,232)	(183,232)
Total	<u>\$0</u>	<u>\$0</u>

Note 4 - Other Assets:	9/30/2008	6/30/2008
GP Promissory Note Principal	\$0	\$0
Prepaid Management Fees	0	0
Prepaid State Filing Fees	750	750
Total	<u>\$750</u>	<u>\$750</u>

Note 5 - Accrued Expenses and Payables:	9/30/2008	6/30/2008
Professional Fees - Audit	\$27,000	\$18,000
NVCA and Annual Meeting	0	4,408
Professional Fees - Legal	553	696
Management Fees	20,000	94,301
Miscellaneous Expenses	704	894
Total	<u>\$48,257</u>	<u>\$118,299</u>

Note 6 - Financial Highlights (Return & IRR):	Net to LP's	Total Fund
Year-to-Date Return on Net Assets	45.12%	45.46%
Internal Rate of Return Since Inception	17.47%	19.95%

**CHP II, L.P.**  
**Statement of Cash Flows**  
**For the Period Ended September 30, 2008**

	Three Months Ended 09/30/08	Nine Months Ended 09/30/08
<b>Cash flows from operating activities</b>		
Net Income Before Gains (Losses)	(\$428,008)	(\$988,437)
Adjustments to reconcile net income before gains (losses) to net cash used in operating activities:		
Accrued Interest Receivable	(3,529)	(20,330)
Accrued Organization Costs	-	-
Other Assets	-	212,557
Accrued Expenses & Payables	(70,042)	(29,955)
Net Cash used in Operating Activities	(501,579)	(826,165)
<b>Cash flows from investing activities</b>		
Purchases of venture capital investments	(916,244)	(1,885,891)
Sales of venture capital investments	-	46,653,053
Net cash provided by investing activities	(916,244)	44,767,162
<b>Cash flows from financing activities</b>		
Cash contributions by partners	-	1,600,012
Cash distribution to partners	-	(43,500,000)
Net cash used in financing activities	-	(41,899,988)
Net Change in Cash and Short Term Investments	(1,417,823)	2,041,009
Cash and Short Term Investments, beginning	3,641,675	182,843
Cash and Short Term Investments, ending	<u>\$2,223,852</u>	<u>\$2,223,852</u>

**CHP II, L.P.**  
**Schedule of Venture Capital Investments**  
**As of September 30, 2008**

<b>Company</b>	<b>Debt</b>	<b>Equity</b>	<b>Total Cost</b>	<b>Fair Value</b>	<b>Unrealized Gain (Loss)</b>
AllianceCare, Inc.	\$155,677	\$6,215,187	\$6,370,864	\$6,370,864	\$0
AthenaHealth, Inc.	0	715,127	715,127	7,724,762	7,009,635
aTyr Pharma, Inc.	0	3,600,000	3,600,000	5,000,000	1,400,000
AxoGen, Inc.	0	7,250,000	7,250,000	9,189,402	1,939,402
Cardio-Optics, Inc.	0	6,169,002	6,169,002	375,000	(5,794,002)
CodeRyte, Inc.	0	5,844,766	5,844,766	5,844,766	0
MitralSolutions, Inc.	911,430	4,402,500	5,313,930	7,359,073	2,045,143
Replication Medical	0	3,066,759	3,066,759	3,068,634	1,875
Rib-X Pharmaceuticals, Inc.	0	7,000,000	7,000,000	7,000,000	0
Totals	\$1,067,107	\$44,263,341	\$45,330,448	\$51,932,501	\$6,602,053

**CHP II, L.P.**  
**Statement of Partners' Contributions Accounts**  
**As of September 30, 2008**

	Partners' Total Subscription	Contributions Account 6/30/2008	Period Contributions in Cash	Period Contributions by Note	Contributions Account 9/30/2008	Partners' Outstanding Subscription
<u>Limited Partners:</u>						
The State Teachers Retirement System of Ohio	\$30,000,000	\$28,311,225	\$0	\$0	\$28,311,225	\$1,688,775
Nassau Capital Funds, L.P.	10,000,000	9,437,077	0	0	9,437,077	562,923
The Robert Wood Johnson Foundation	10,000,000	9,437,077	0	0	9,437,077	562,923
Northwestern University	10,000,000	9,437,077	0	0	9,437,077	562,923
LACERA	10,000,000	9,437,077	0	0	9,437,077	562,923
Wachovia Investors (First Union)	7,500,000	7,077,807	0	0	7,077,807	422,193
AlpInvest US Secondary Investments 2003	5,000,000	4,718,538	0	0	4,718,538	281,462
HarbourVest VII Limited	5,000,000	4,718,538	0	0	4,718,538	281,462
Pension Commissioners of City of LA	5,000,000	4,718,537	0	0	4,718,537	281,463
Princess Private Equity	5,000,000	4,718,537	0	0	4,718,537	281,463
Hillside Capital Incorporated	3,500,000	3,302,977	0	0	3,302,977	197,023
Hamilton Lane-Carpenters Fund	3,000,000	2,831,121	0	0	2,831,121	168,879
UNISYS Master Trust	3,000,000	2,831,121	0	0	2,831,121	168,879
Venture Investment Associates III, LP	2,300,000	2,170,527	0	0	2,170,527	129,473
Fleet Growth Resources, Inc. (formerly Summit Bancorp)	2,000,000	1,887,415	0	0	1,887,415	112,585
S.R. One, Limited	2,000,000	1,887,415	0	0	1,887,415	112,585
PharmaBio Development, Inc. (Qfinance)	2,000,000	1,887,415	0	0	1,887,415	112,585
Private Equity Holdings Ltd II	1,000,000	943,707	0	0	943,707	56,293
	<u>\$116,300,000</u>	<u>\$109,753,188</u>	<u>\$0</u>	<u>\$0</u>	<u>\$109,753,188</u>	<u>\$6,546,812</u>
<u>General Partner:</u>						
CHP II Management LLC	<u>1,174,747</u>	<u>1,108,618</u>	<u>0</u>	<u>0</u>	<u>1,108,618</u>	<u>66,129</u>
Total Partnership	<u><u>\$117,474,747</u></u>	<u><u>\$110,861,806</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$110,861,806</u></u>	<u><u>\$6,612,941</u></u>

**CHP II, L.P.**  
**Statement of Partners' Distributive Share of Net Assets**  
**For the Period Ended September 30, 2008**

	Public Securities	Private Securities	Cash	Other Assets	Total Assets	Accrued Expenses & Other Liabilities	Net Assets 9/30/2008
<u>Limited Partners:</u>							
State Teachers Retirement System of Ohio	\$1,571,702	\$8,994,629	\$452,471	\$5,050	\$11,023,852	(\$9,819)	\$11,014,033
Nassau Capital Funds, L.P.	523,896	2,998,184	150,823	1,683	3,674,586	(3,273)	3,671,313
The Robert Wood Johnson Foundation	523,896	2,998,184	150,823	1,683	3,674,586	(3,273)	3,671,313
Northwestern University	523,896	2,998,184	150,823	1,683	3,674,586	(3,273)	3,671,313
LACERA	523,896	2,998,184	150,823	1,683	3,674,586	(3,273)	3,671,313
Wachovia Investors (First Union)	392,924	2,248,650	113,117	1,263	2,755,954	(2,455)	2,753,499
AlpInvest US Secondary Investments 2003	261,945	1,499,072	75,410	842	1,837,269	(1,636)	1,835,633
HarbourVest VII Limited	261,945	1,499,072	75,410	842	1,837,269	(1,636)	1,835,633
Pension Commissioners of City of LA	261,945	1,499,076	75,410	842	1,837,273	(1,636)	1,835,637
Princess Private Equity	261,946	1,499,080	75,411	842	1,837,279	(1,636)	1,835,643
Hillside Capital Incorporated	183,364	1,049,369	52,788	589	1,286,110	(1,145)	1,284,965
Hamilton Lane-Carpenters Fund	157,174	899,484	45,248	505	1,102,411	(982)	1,101,429
UNISYS Master Trust	157,174	899,484	45,248	505	1,102,411	(982)	1,101,429
Venture Investment Associates III, LP	120,499	689,599	34,690	387	845,175	(752)	844,423
Fleet Growth Resources, Inc.	104,782	599,656	30,165	337	734,940	(655)	734,285
S.R. One, Limited	104,782	599,656	30,165	337	734,940	(655)	734,285
PharmaBio Development, Inc. (Qfinance)	104,782	599,656	30,165	337	734,940	(655)	734,285
Private Equity Holdings Ltd II	52,393	299,836	15,083	168	367,480	(327)	367,153
	\$6,092,941	\$34,869,055	\$1,754,073	\$19,578	\$42,735,647	(\$38,063)	\$42,697,584
<u>General Partner:</u>							
CHP II Management LLC	1,631,821	9,338,684	469,779	5,243	11,445,527	(10,194)	11,435,333
Total Partnership	\$7,724,762	\$44,207,739	\$2,223,852	\$24,821	\$54,181,174	(\$48,257)	\$54,132,917

**CHP II, L.P.**  
**Statement of Partners' Capital Accounts**  
**For the Three Months Ended September 30, 2008**

	Partners' Capital 06/30/08	Net Capital Contributions	Non-Portfolio Income	Net Investment Income (Loss)	Realized Gains (Losses)	Total Income	Unrealized Gains (Losses)	Distributions	Partners' Capital 09/30/08
<u>Limited Partners:</u>									
The State Teachers Retirement System of Ohio	\$12,434,590	\$0	\$1,982	(\$89,025)	\$1,424,511	\$1,337,468	(\$1,193,975)	(\$1,564,050)	\$11,014,033
Nassau Capital Funds, L.P.	4,144,832	0	661	(29,676)	474,837	445,822	(397,991)	(521,350)	3,671,313
The Robert Wood Johnson Foundation	4,144,832	0	661	(29,676)	474,837	445,822	(397,991)	(521,350)	3,671,313
Northwestern University	4,144,832	0	661	(29,676)	474,837	445,822	(397,991)	(521,350)	3,671,313
LACERA	4,144,832	0	661	(29,676)	474,837	445,822	(397,991)	(521,350)	3,671,313
Wachovia Investors (First Union)	3,108,620	0	496	(22,257)	356,129	334,368	(298,493)	(390,996)	2,753,499
AlpInvest US Secondary Investments 2003	2,072,393	0	330	(14,838)	237,418	222,910	(198,995)	(260,675)	1,835,633
HarbourVest VII Limited	2,072,393	0	330	(14,838)	237,418	222,910	(198,995)	(260,675)	1,835,633
Pension Commissioners of City of LA	2,072,397	0	330	(14,838)	237,418	222,910	(198,995)	(260,675)	1,835,637
Princess Private Equity	2,072,403	0	330	(14,838)	237,418	222,910	(198,995)	(260,675)	1,835,643
Hillside Capital Incorporated	1,450,692	0	232	(10,386)	166,193	156,039	(139,297)	(182,469)	1,284,965
Hamilton Lane-Carpenters Fund	1,243,492	0	199	(8,903)	142,451	133,747	(119,398)	(156,412)	1,101,429
UNISYS Master Trust	1,243,492	0	199	(8,903)	142,451	133,747	(119,398)	(156,412)	1,101,429
Venture Investment Associates III, LP	953,314	0	152	(6,825)	109,212	102,539	(91,538)	(119,892)	844,423
Fleet Growth Resources, Inc.	828,983	0	132	(5,936)	94,967	89,163	(79,598)	(104,263)	734,285
S.R. One, Limited	828,983	0	132	(5,936)	94,967	89,163	(79,598)	(104,263)	734,285
PharmaBio Development, Inc. (QFinance)	828,983	0	132	(5,936)	94,967	89,163	(79,598)	(104,263)	734,285
Private Equity Holdings Ltd II	414,518	0	66	(2,967)	47,484	44,583	(39,799)	(52,149)	367,153
	\$48,204,581	\$0	\$7,686	(\$345,130)	\$5,522,352	\$5,184,908	(\$4,628,636)	(\$6,063,269)	\$42,697,584
<u>General Partner:</u>									
CHP II Management LLC	12,915,726	0	77	(90,641)	1,450,314	1,359,750	(1,215,601)	(1,624,542)	11,435,333
Total Partnership	\$61,120,307	\$0	\$7,763	(\$435,771)	\$6,972,666	\$6,544,658	(\$5,844,237)	(\$7,687,811)	\$54,132,917

**CHP II, L.P.**  
**Statement of Partners' Capital Accounts**  
**For the Nine Months Ended September 30, 2008**

	Partners' Capital 01/01/08	Net Capital Contributions	Non-Portfolio Income	Net Investment Income (Loss)	Realized Gains (Losses)	Total Income	Unrealized Gains (Losses)	Distributions	Partners' Capital 09/30/08
<b>Limited Partners:</b>									
State Teachers Retirement System of Ohio	\$20,873,689	\$408,598	\$5,551	(\$206,377)	\$13,081,791	\$12,880,965	(\$7,968,945)	(\$15,180,274)	\$11,014,033
Nassau Capital Funds, L.P.	6,957,876	136,199	1,851	(68,793)	4,360,597	4,293,655	(2,656,315)	(5,060,102)	3,671,313
The Robert Wood Johnson Foundation	6,957,876	136,199	1,851	(68,793)	4,360,597	4,293,655	(2,656,315)	(5,060,102)	3,671,313
Northwestern University	6,957,876	136,199	1,851	(68,793)	4,360,597	4,293,655	(2,656,315)	(5,060,102)	3,671,313
LACERA	6,957,876	136,199	1,851	(68,793)	4,360,597	4,293,655	(2,656,315)	(5,060,102)	3,671,313
Wachovia Investors (First Union)	5,218,396	102,150	1,388	(51,595)	3,270,449	3,220,242	(1,992,236)	(3,795,053)	2,753,499
AlpInvest US Secondary Investments 2003	3,478,920	68,100	925	(34,396)	2,180,298	2,146,827	(1,328,157)	(2,530,057)	1,835,633
HarbourVest VII Limited	3,478,920	68,100	925	(34,396)	2,180,298	2,146,827	(1,328,157)	(2,530,057)	1,835,633
Pension Commissioners of City of LA	3,478,930	68,100	925	(34,396)	2,180,298	2,146,827	(1,328,157)	(2,530,063)	1,835,637
Princess Private Equity	3,478,918	68,112	925	(34,396)	2,180,298	2,146,827	(1,328,157)	(2,530,057)	1,835,643
Hillside Capital Incorporated	2,435,249	47,670	648	(24,077)	1,526,209	1,502,780	(929,710)	(1,771,024)	1,284,965
Hamilton Lane-Carpenters Fund	2,087,389	40,860	555	(20,638)	1,308,179	1,288,096	(796,894)	(1,518,022)	1,101,429
UNISYS Master Trust	2,087,389	40,860	555	(20,638)	1,308,179	1,288,096	(796,894)	(1,518,022)	1,101,429
Venture Investment Associates III, LP	1,600,324	31,326	426	(15,822)	1,002,937	987,541	(610,952)	(1,163,816)	844,423
Fleet Growth Resources, Inc.	1,391,591	27,240	370	(13,759)	872,119	858,730	(531,263)	(1,012,013)	734,285
S.R. One, Limited	1,391,591	27,240	370	(13,759)	872,119	858,730	(531,263)	(1,012,013)	734,285
PharmaBio Development, Inc. (QFinance)	1,391,591	27,240	370	(13,759)	872,119	858,730	(531,263)	(1,012,013)	734,285
Private Equity Holdings Ltd II	695,781	13,620	185	(6,879)	436,060	429,366	(265,631)	(505,983)	367,153
	\$80,920,182	\$1,584,012	\$21,522	(\$800,059)	\$50,713,741	\$49,935,204	(\$30,892,939)	(\$58,848,875)	\$42,697,584
<b>General Partner:</b>									
CHP II Management LLC	19,152,367	228,557	217	(210,116)	13,318,760	13,108,861	(8,113,297)	(12,941,155)	11,435,333
Total Partnership	\$100,072,549	\$1,812,569	\$21,739	(\$1,010,175)	\$64,032,501	\$63,044,065	(\$39,006,236)	(\$71,790,030)	\$54,132,917

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

**CHP II, L.P.**  
**Statement of Partners' Accounts**  
**For the Period from April 25, 2000 through September 30, 2008**

	Partners' Contributions Accounts	Non-Portfolio Income	Net Investment Income (Loss)	Realized Gains (Losses)	Total Income	Unrealized Gains (Losses)	Distributions	Partner Transfer of Interest	Partners' Account
<u>Limited Partners:</u>									
The State Teachers Retirement System of Ohio	\$28,311,225	\$53,084	(\$5,019,270)	\$27,523,184	\$22,556,998	\$1,348,794	(\$41,202,984)	\$0	\$11,014,033
Nassau Capital Funds, L.P.	9,437,077	17,697	(1,673,092)	9,174,395	7,519,000	449,597	(13,734,361)	0	3,671,313
The Robert Wood Johnson Foundation	9,437,077	17,697	(1,673,092)	9,174,395	7,519,000	449,597	(13,734,361)	0	3,671,313
Northwestern University	9,437,077	17,697	(1,673,092)	9,174,395	7,519,000	449,597	(13,734,361)	0	3,671,313
LACERA	9,437,077	17,697	(1,673,092)	9,174,395	7,519,000	449,597	(13,734,361)	0	3,671,313
Textron Master Trust	0	7,661	(1,306,075)	2,238,988	940,574	2,773,991	(4,345,599)	631,034	0
Wachovia Investors (First Union)	7,077,807	13,272	(1,254,819)	6,880,796	5,639,249	337,198	(10,300,755)	0	2,753,499
AlpInvest US Secondary Investments 2003	4,718,538	5,017	(183,508)	3,467,703	3,289,212	(1,162,196)	(4,694,404)	(315,517)	1,835,633
HarbourVest VII Limited	4,718,538	5,017	(183,508)	3,467,703	3,289,212	(1,162,196)	(4,694,404)	(315,517)	1,835,633
Pension Commissioners of City of LA	4,718,537	8,847	(836,547)	4,587,194	3,759,494	224,801	(6,867,195)	0	1,835,637
Princess Private Equity	4,718,537	8,847	(836,547)	4,587,194	3,759,494	224,801	(6,867,189)	0	1,835,643
Hillside Capital Incorporated	3,302,977	6,193	(585,582)	3,211,038	2,631,649	157,361	(4,807,022)	0	1,284,965
Hamilton Lane-Carpenters Fund	2,831,121	5,308	(501,928)	2,752,317	2,255,697	134,879	(4,120,268)	0	1,101,429
UNISYS Master Trust	2,831,121	5,308	(501,928)	2,752,317	2,255,697	134,879	(4,120,268)	0	1,101,429
Venture Investment Associates III, LP	2,170,527	4,070	(384,811)	2,110,110	1,729,369	103,408	(3,158,881)	0	844,423
Fleet Growth Resources, Inc.	1,887,415	3,539	(334,618)	1,834,878	1,503,799	89,920	(2,746,849)	0	734,285
S.R. One, Limited	1,887,415	3,539	(334,618)	1,834,878	1,503,799	89,920	(2,746,849)	0	734,285
PharmaBio Development, Inc. (Qfinance)	1,887,415	3,539	(334,618)	1,834,878	1,503,799	89,920	(2,746,849)	0	734,285
Private Equity Holdings Ltd II	943,707	1,769	(167,309)	917,440	751,900	44,959	(1,373,413)	0	367,153
	\$109,753,188	\$205,798	(\$19,458,054)	\$106,698,198	\$87,445,942	\$5,228,827	(\$159,730,373)	\$0	\$42,697,584
<u>General Partner:</u>									
CHP II Management LLC	1,108,618	2,080	(1,636,242)	24,547,793	22,913,631	1,373,227	(13,960,143)	0	11,435,333
Total Partnership	\$110,861,806	\$207,878	(\$21,094,296)	\$131,245,991	\$110,359,573	\$6,602,054	(\$173,690,516)	\$0	\$54,132,917

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

**CHP II, L.P.**  
**Comprehensive Investment Summary**  
**For the Period from April 25, 2000 through September 30, 2008**

<b>Company</b>	<b>Investment Cost</b>	<b>GAAP Fair Value</b>	<b>Unrealized Gain (Loss)</b>	<b>Realized Value</b>	<b>Realized Gain (Loss)</b>	<b>Cumulative Investment Return</b>
<b><i>Public Company Securities</i></b>						
AthenaHealth, Inc.	5,000,001	7,724,762	7,009,635	35,782,855	31,497,981	38,507,616
	<u>\$5,000,001</u>	<u>\$7,724,762</u>	<u>\$7,009,635</u>	<u>\$35,782,855</u>	<u>\$31,497,981</u>	<u>\$38,507,616</u>
<b><i>Private Company Investments</i></b>						
AllianceCare, Inc.	\$6,370,864	\$6,370,864	\$0	\$0	\$0	\$0
aTyr Pharma, Inc.	3,600,000	5,000,000	1,400,000	0	0	1,400,000
AxoGen, Inc.	7,250,000	9,189,402	1,939,402	0	0	1,939,402
Cardio-Optics, Inc.	6,169,002	375,000	(5,794,002)	0	0	(5,794,002)
CodeRyte, Inc.	5,844,766	5,844,766	0	0	0	0
MitralSolutions, Inc.	5,313,930	7,359,073	2,045,143	0	0	2,045,143
Replication Medical	3,066,759	3,068,634	1,875	0	0	1,875
Rib-X Pharmaceuticals, Inc.	7,000,000	7,000,000	0	0	0	0
	<u>\$44,615,321</u>	<u>\$44,207,739</u>	<u>(\$407,582)</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$407,582)</u>
<b><i>Fully Disposed Investments</i></b>						
Alynlam Pharmaceuticals, Inc.	\$8,959,015	\$0	\$0	\$34,851,302	\$25,892,287	\$25,892,287
Intellicare America	4,000,000	0	0	3,430,236	(569,764)	(569,764)
iPhysician Net	5,757,897	0	0	0	(5,757,897)	(5,757,897)
Molecular Mining Corporation	1,509,060	0	0	108,993	(1,400,067)	(1,400,067)
Momenta Pharmaceuticals	6,823,506	0	0	56,956,359	50,132,853	50,132,853
ParkStone Medical Info. Sys.	7,575,278	0	0	422,825	(7,152,453)	(7,152,453)
SirTris Pharmaceuticals, Inc.	8,050,001	0	0	46,653,053	38,603,052	38,603,052
	<u>\$42,674,757</u>	<u>\$0</u>	<u>\$0</u>	<u>\$142,422,768</u>	<u>\$99,748,011</u>	<u>\$99,748,011</u>
<b>TOTAL INVESTMENTS</b>	<u><u>\$92,290,079</u></u>	<u><u>\$51,932,501</u></u>	<u><u>\$6,602,053</u></u>	<u><u>\$178,205,623</u></u>	<u><u>\$131,245,992</u></u>	<u><u>\$137,848,045</u></u>

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TO: The Limited Partners of CHP II, L.P.  
FROM: John J. Park  
DATE: October 15, 2008  
SUBJECT: Portfolio Valuations for September 30, 2008

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Investment securities held by CHP II, L.P. (the "Partnership") have been valued in accordance with the Amended Standard Valuation Policy of the Partnership. In accordance with the Policy, we propose to value equity and interest-bearing securities for both privately-held and publically-held companies in the portfolio at fair market value. Typically, fair value will be cost initially, with adjustments made according to subsequent events of a significant nature that effect the valuation of the investment asset. Public securities are valued at closing market prices, unless they are subject to legal trading restrictions. This memorandum delineates the portfolio valuation calculations as proposed by the General Partner for investments held by the Partnership as of September 30, 2008.

**ALLIANCECARE** - On May 31, 2007, AllianceCare completed the acquisition of the home health care division of Sunrise Living (NYSE:SRZ) otherwise known as "Sunrise at Home" (SAH). The acquisition was completed through the issuance of AllianceCare stock to the SAH shareholders coupled with the conversion of all the outstanding convertible notes held by the AllianceCare shareholders into shares of Series C-2 convertible preferred stock priced at \$7.32 per share. As a result, CHP II received 111,210 shares of Series C-2 preferred (\$765,050 note principal, plus \$49,007 accrued interest). Post-transaction, the General Partner believes that on the basis of liquidation preference, cost basis is the best measure of fair value for the preferred equity holdings in AllianceCare.

The proposed valuation for the AllianceCare investment is the respective cost basis of the securities held by CHP II (\$10.00 per share for Series B and Series C preferred and \$7.32 per share for Series C-2 preferred). Additionally, during Q1 2008, CHP II invested \$155,677 in the form of an 8% convertible promissory note that is valued at cost. This produces a total valuation for the AllianceCare investment of \$6,370,864, with no corresponding unrealized gain or loss. This valuation represents no change from the valuation for AllianceCare as of June 30, 2008.

Value Computation:

8% Convertible Promissory Note	=	\$155,677
Series B Convertible Preferred Stock		
400,000 shares x \$10.00	=	4,000,000
Series C Convertible Preferred Stock		
1,401,130 shares x \$10.00	=	1,401,130
Series C-2 Convertible Preferred Stock		
111,210 shares x \$7.32	=	814,057
		<u>\$ 6,370,864</u>

**CHP II, L.P.**  
**Portfolio Valuations as of September 30, 2008**  
**Page 2 of 6**

**ATHENAHEALTH** – On June 29, 2007, PSS World Medical, Inc. made a \$22.5 million investment in Athenahealth, through a purchase of preferred equity from the company's shareholders. The shares were purchased at a price of \$15.30 per share, with CHP II, L.P. selling 172,433 shares of its Series D preferred holdings, receiving \$2,638,225 in proceeds, with a corresponding realized gain of \$2,107,131 from the sale. After this transaction, CHP II continued to hold 1,450,944 shares of Athena Series D convertible preferred stock.

On September 20, 2007, Athenahealth (NASDAQ:ATHN) completed its initial public offering through the sale of 5 million shares at \$18.00 per share. The offering included a secondary component in which CHP II sold 290,000 shares, receiving net proceeds of \$4,854,400 and recording a realized gain of \$3,961,400 from this market transaction. Post-IPO, CHP II held 1,160,944 of Athenahealth common stock.

During 2008, CHP II completed four like-sized distributions of Athenahealth common stock. On April 1, 2008, CHP II distributed 232,190 shares of Athena stock at a value of \$5,786,175 (\$24.92 per share). As a result, we have reduced the cost basis for the investment by \$715,145 and recorded a realized gain of \$5,071,030. On May 7, 2008, CHP II distributed 232,190 shares of Athena stock at a value of \$6,898,365 (\$29.71 per share). As a result, we have further reduced the cost basis for the investment by \$715,145 and recorded a realized gain of \$6,183,220. On June 5, 2008, CHP II distributed 232,190 shares of Athena stock at a value of \$7,917,679 (\$34.10 per share). As a result, we have further reduced the cost basis for the investment by \$715,145 and recorded a realized gain of \$7,202,534. Finally, on August 13, 2008, CHP II distributed 232,190 shares of Athena stock at a value of \$7,687,811 (\$33.11 per share). As a result, we have further reduced the cost basis for the investment by \$715,145 and recorded a realized gain of \$6,972,666.

As of September 30, 2008, CHP II holds 232,184 shares of Athena common stock. All of these shares are unrestricted and freely tradable. In accordance with the CHP II Standard Valuation Policy, these shares are valued at the closing market price on September 30, 2008 for Athenahealth (NASDAQ:ATHN) of \$33.27 per share. This results in an investment valuation of \$7,724,762 with a corresponding unrealized gain of \$7,009,635 on our cost basis of \$715,127 as of September 30, 2008. Taking into account the \$7,687,811 in value distributed this quarter; this valuation represents a decrease of \$6,559,382 from the valuation for the Athenahealth investment as of June 30, 2008.

Value Computation:

$$\begin{array}{rcl} \text{Common Stock} & & \\ 232,184 \text{ shares} \times \$33.27 & = & \underline{\underline{\$7,724,762}} \end{array}$$

**CHP II, L.P.**

**Portfolio Valuations as of September 30, 2008**

**Page 3 of 6**

**ATYR PHARMA** – On November 30, 2006, Atyr Pharma completed a \$10.5 million Series B Preferred stock financing priced at \$2.50 per share and valuing the Company at \$6.25 million pre-money. This financing was co-led by new investors, Alta Partners and Polaris Venture Partners. CHP II invested \$3 million in the financing. We propose to value our investment at the Series B price of \$2.50, resulting in an investment valuation of \$5,000,000, with a corresponding unrealized gain of \$1,400,000 on our cost basis of \$3,600,000 as of September 30, 2008. This valuation represents no change from the valuation for the Atyr Pharma investment as of June 30, 2008.

Value Computation:

Series A Convertible Preferred Stock	
800,000 shares x \$2.50	= \$ 2,000,000
Series B Convertible Preferred Stock	
1,200,000 shares x \$2.50	= <u>3,000,000</u>
Total Value	<u>\$5,000,000</u>

**AXOGEN** – On November 5, 2007, AxoGen completed a \$12.1 million second round financing priced at \$0.7345 per share and valuing the Company at \$37.1 million post-money. This financing was co-led by current investors, Cardinal Partners, Accuitive Medical Ventures and DeNovo Ventures. CHP II invested \$4 million in the financing. The financing was fully negotiated with management and represents an accurate assessment of a current fair market value for the company. Accordingly, we propose to value our investment at the Series C price of \$0.7345, resulting in an investment valuation of \$9,189,402, with a corresponding unrealized gain of \$1,939,402 as of September 30, 2008 on our cost basis of \$7,250,000. This valuation represents no change from the valuation for AxoGen as of June 30, 2008.

Value Computation:

Series B Convertible Preferred Stock	
7,065,217 shares x \$0.7345	= \$ 5,189,402
Series C Convertible Preferred Stock	
5,445,882 shares x \$0.7345	= <u>4,000,000</u>
Total Value	<u>\$9,189,402</u>

**CHP II, L.P.****Portfolio Valuations as of September 30, 2008****Page 4 of 6**

**CARDIO-OPTICS** – During Q4 2006, management reported that sales of the company's lead product had slowed considerably. It was subsequently concluded that the technology in its current state is not capable of producing a sufficient field of vision to be a useful tool in the marketplace. Consequently, we have cut the valuation for the CardioOptics investment to \$375,000, which approximates the CHP II return at a net liquidation value of \$3-\$5 million for the company. At the investment fair value of \$375,000, there is a corresponding unrealized loss of \$5,794,002, on our cost basis of \$6,169,002. This valuation represents no change from the valuation for CardioOptics as of June 30, 2008.

Value Computation:

Series A Convertible Preferred Stock		
1,938,310 shares x \$0.00	=	\$ 0
Series B Convertible Preferred Stock		
1,153,329 shares x \$0.3251	=	<u>375,000</u>
Total Value		<u>\$375,000</u>

**CODERYTE** - On March 7, 2007, CHP II contributed \$600,000 to a \$6 million addition to the March 2006 Series C preferred financing for CodeRyte. The financing was led by the current investors, with all parties participating together with the founders and members of the management team. The post-money valuation for this financing was \$37 million. In April 2008 CHP II contributed \$813,970 towards a \$4.5 million bridge financing for CodeRyte, in the form of an 8% convertible promissory note. On May 15, 2008, this note, together with \$4,814 in accrued interest, was automatically converted into 85,290 shares of Series C convertible preferred stock.

The General Partner believes that on the basis of liquidation preference, cost basis is the best measure of fair value for the preferred equity holdings in CodeRyte. Accordingly, the proposed valuation is based upon the cost basis for each of the company's respective equity financing rounds (\$8.51/share for Series B and \$9.60/share for Series C). This results in a total valuation for the CodeRyte investment of \$5,844,766, with no corresponding unrealized gain or loss. This valuation represents an increase of \$4,814 from the valuation for CodeRyte as of June 30, 2008, corresponding to the amount of accrued interest that was converted during the period.

Value Computation:

Series B Convertible Preferred Stock		
326,675 shares x \$8.51	=	2,780,004
Series C Convertible Preferred Stock		
319,246 shares x \$9.60	=	<u>3,064,762</u>
		<u>\$5,844,766</u>

CHP II, L.P.

Report for the Quarter Ended September 30, 2008

Page -18 -

**CHP II, L.P.****Portfolio Valuations as of September 30, 2008****Page 5 of 6**

**MITRAL SOLUTIONS** – On October 9, 2007, Mitral Solutions completed a \$2.6 million second round financing priced at \$0.31 per share and valuing the Company at \$15.2 million post-money. This financing was co-led by current investors, Cardinal Partners and Maverick Capital, with CHP II investing \$1.15 million. Subsequent clinical progress has led us to determine that the appropriate current entity value for Mitral is \$20 million. Accordingly, we propose to value the equity investment at 32% premium over the Series C price; or \$0.40925 per share. In addition, during the current quarter, CHP II contributed \$911,430 towards a \$2 million bridge financing in the form of an 8% convertible promissory note. The resulting fair market value for the Mitral investment is \$7,359,073, with a corresponding unrealized gain of \$2,045,143 on our cost basis of \$5,313,930 as of September 30, 2008. This valuation represents an increase of \$911,430 from the valuation for Mitral as of June 30, 2008, representing the amount invested during the period.

**Value Computation:**

8% Convertible Promissory Note		\$ 911,430
Series B Convertible Preferred Stock		
12,037,037 shares x \$0.40925	=	4,926,157
Series C Convertible Preferred Stock		
3,717,742 shares x \$0.40925	=	<u>1,521,486</u>
Total Value		<u>\$7,359,073</u>

**REPLICATION MEDICAL** – On July 21, 2005, Abbott Laboratories invested \$12 million at \$5.00 per share, with a corresponding post-money value of \$83 million. In Q3 2007, the company experienced a clinical setback that has resulted in a redesign of the device to ensure better long term stability. Consequently, we have determined that the appropriate basis for the investment is an entity value of ~\$15 million. Taking account of the liquidation preferences, the resulting carrying value for the Replication investment is the cost basis of \$0.9562 per share for each share of Series B preferred and \$1.90 per share for each share of Series C preferred. The result is a total fair current value for the Replication investment as of September 30, 2008 of \$3,068,634, with a corresponding unrealized gain of \$1,875 on our cost basis of \$3,066,759. This valuation represents no change from the valuation for Replication Medical as of June 30, 2008.

**Value Computation:**

Series B Convertible Preferred Stock		
2,614,516 shares x \$0.9562	=	\$2,500,000
Series C Convertible Preferred Stock		
299,281 shares x \$1.90	=	<u>568,634</u>
Total Value		<u>\$3,068,634</u>

CHP II, L.P.

Report for the Quarter Ended September 30, 2008

Page -19 -

**CHP II, L.P.**  
**Portfolio Valuations as of September 30, 2008**  
**Page 6 of 6**

**RIB-X PHARMACEUTICALS** – Since December 2001, Rib-X pharmaceuticals has raised a total of \$124.7 million in three like-priced equity financings. The last financing was completed in June 2006, a \$50 million financing led by Warburg Pincus at a pre-money valuation of \$90 million. Subsequently, the company has continued to make good clinical progress and we believe remains fairly valued at an entity valuation of \$125-\$150 million. Consequently, the general partner's proposed valuation at September 30, 2007 is based upon the \$0.6189 price per shares of the June 2006 equity round, which values the company at \$140 million. The result is a total fair current value for the Rib-X investment of \$7,000,000, with no corresponding unrealized gain or loss on our cost basis of \$7,000,000. This valuation represents no change from the valuation for Rib-X Pharmaceuticals as of June 30, 2008.

Value Computation:

Series A Convertible Preferred Stock		
1,817,741 shares x \$0.6189	=	\$1,125,000
Series B Convertible Preferred Stock		
4,645,339 shares x \$0.6189		2,875,000
Series C Convertible Preferred Stock		
4,847,310 shares x \$0.6189	=	<u>3,000,000</u>
Total Value		<u>\$7,000,000</u>

**CHP II, L.P.**  
**Proposed Portfolio Investment Valuation Summary**  
**For the Quarter Ended September 30, 2008**

<b>Company</b>	<b>Investment</b>	<b>Fair Value 30-Jun-2008</b>	<b>Fair Value 30-Jun-2008</b>	<b>Change From Last Quarter</b>	<b>Reason For Change</b>
AllianceCare, Inc.	\$6,370,864	\$6,370,864	\$6,370,864	\$0	
AthenaHealth, Inc.	\$715,127	\$7,724,762	\$14,284,144	(\$6,559,382)	Distribution & Market Price Increase. (note 1)
aTyr Pharma, Inc.	\$3,600,000	\$5,000,000	\$5,000,000	\$0	
AxoGen, Inc.	\$7,250,000	\$9,189,402	\$9,189,402	\$0	
Cardio-Optics, Inc.	\$6,169,002	\$375,000	\$375,000	\$0	
CodeRyte, Inc.	\$5,844,766	\$5,844,766	\$5,839,952	\$4,814	Conversion of Bridge Note plus Interest. (note 2)
MitralSolutions, Inc.	\$5,313,930	\$7,359,073	\$6,447,643	\$911,430	Bridge Note Investment. (note 3)
Replication Medical	\$3,066,759	\$3,068,634	\$3,068,634	\$0	
Rib-X Pharmaceuticals	\$7,000,000	\$7,000,000	\$7,000,000	\$0	
<b>Total</b>	<b>\$45,330,448</b>	<b>\$51,932,501</b>	<b>\$57,575,639</b>	<b>(\$5,643,138)</b>	

- (1) During the quarter, CHP II completed one distribution of Athenhealth (Nasdaq:ATHN) common stock. On August 13th, CHP II distributed 232,190 shares of Athenahealth with a total value of \$7,687,811 (\$33.11 per share), and a resulting realized gain of \$6,972,666 from this distribution. As of September 30, 2008, CHP II still holds 232,184 shares of Athenahealth common stock (Nasdaq:ATHN), all of which are unrestricted and freely tradable. The proposed valuation for these remaining Athena shares is thus calculated on the basis of the closing price for ATHN as of September 30, 2008, of \$33.27 per share. The valuation decrease for the period is reflective of the distribution described above, partially offset by the market price increase from the closing price for Athenahealth as of June 30, 2008 of \$30.76 per share.
- (2) During the quarter, the \$813,970 bridge note plus \$4,814 in accrued interest were automatically converted into 85,290 shares of Series C convertible Preferred stock (\$9.60 per share).
- (3) During the quarter, CHP II contributed \$911K towards \$2.0 million of bridge financing for MitralSolutions. The financing took the form of an 8% subordinated convertible promissory note.

**ALLIANCECARE, INC.**  
**(aka Mobile Medical Industries)**  
**Boca Raton, FL**  
**{*www.mobilemedicalind.com*}**

**Provider of comprehensive integrated medical and rehabilitation services.**

Period Summary: 3rd Quarter, 2008

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Financial performance at AllianceCare has shown significant improvement over last year, but remains below expectations. Revenues for the current quarter were well below forecast primarily due to a significant drop in patient recertification's resulting from stricter compliance procedures enacted by the new management team this summer. The Home Health division made up the majority of the revenue deficit, with a resulting decrease in gross margin. Management has enacted reductions in direct costs associated with this group to bring margins back in line with forecast next quarter. EBITDA for the quarter was a negative \$35K, bringing the YTD EBITDA to negative \$97K on revenues of \$66.2 million.

The new management team led by CEO Maxine Hochhauser, a home health care industry veteran, has enacted other measures to improve the financial performance of the company including:

- The implementation of the new pay plan designed to reduced fixed field staff salaries by approximately 20%;
- The closing of non-performing Home Health office locations
- The sale of non-strategic assets to generate some working capital

The Company's dropping revenue and performance has put a strain on liquidity. Management will be meeting with the company's credit facility providers, HFG and Capital Resource Partners, in the coming weeks to discuss the reconfiguration of certain debt covenants. The company does have a contingency fund of \$1 million from the Q1 2008 bridge financing that is currently held in escrow. That may need to be drawn upon if the lenders are not willing to be flexible.

We are hopeful that the reinvigorated management team will guide the company towards operational stability, revenue growth and financial profitability. The next 6-9 months will be crucial. We remain cautious in our optimism that this investment will produce the results necessary to attain our objectives.

**ALLIANCECARE, INC. (cont.)**

**FINANCIAL RESULTS: (\$000)**

Overview: (FYE 12/31)

	<i>2004 Actual</i>	<i>2005 Actual</i>	<i>2006 Actual</i>	<i>2007 Actual</i>	<i>2008 Budget</i>
Revenues	41,820	74,459	75,011	84,162	98,111
Direct Expenses	22,808	43,725	47,278	47,620	52,587
SG&A	21,748	33,795	36,306	43,983	44,326
EBIT	-2,736	-3,061	-8,573	-7,441	+1,198
Other Inc. & Exp.	-87	-2,188	-4,222	-3,709	-3,227
<b>Net Income</b>	<b>-2,823</b>	<b>-5,249</b>	<b>-12,795</b>	<b>-11,150</b>	<b>-2,029</b>
<b>EBITDA</b>	<b>-2,230</b>	<b>-2,130</b>	<b>-7,013</b>	<b>-5,349</b>	<b>+2,648</b>

\* - Subject to Audit

Last Three Months: Quarter Ended September 30, 2008

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	19,790	29,364	-9,574
Direct Expenses	10,999	16,074	+5,075
SG&A	9,027	10,984	+1,957
EBIT	-236	+2,306	-2,542
Interest, Taxes & Other	-661	-848	+187
<b>Net Income</b>	<b>-897</b>	<b>+1,458</b>	<b>-2,355</b>
<b>EBITDA</b>	<b>-35</b>	<b>+2,611</b>	<b>-2,646</b>

Fiscal Year-to-Date: Nine Months Ended September 30, 2008

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	66,175	76,009	-9,834
Direct Expenses	36,252	41,170	+4,918
SG&A	31,196	33,119	+1,923
EBIT	-1,273	+1,720	-2,993
Interest, Taxes & Other	-2,041	-2,545	+504
<b>Net Income</b>	<b>-3,314</b>	<b>-825</b>	<b>-2,489</b>
<b>EBITDA</b>	<b>-97</b>	<b>+2,895</b>	<b>-2,992</b>

**ALLIANCECARE, INC. (cont.)**

**Summary Balance Sheet as of September 30, 2008: (\$000)**

Cash	\$ 2,294	Accounts Payable	\$ 2,715
Accounts Receivable	8,750	Accrued Expenses	7,970
Other Current Assets	<u>825</u>	Other Current Liabilities	<u>13,016</u>
Total Current Assets	11,869	Total Current Liabilities	23,701
Net PP&E	729	Debt and Other Liabilities	13,383
Acquired Goodwill (Net)	28,120	Shareholders Equity	48,494
Other Assets	<u>352</u>	Retained Earnings	<u>-44,508</u>
Total Assets	<u>\$41,070</u>	Total Liabilities & Equity	<u>\$41,070</u>

**Comments:**

Cash flow for the quarter was positive. Average monthly cash burn for the year is under \$100K. Current credit facilities are very tight and cash flow is being closely monitored.

**CHP II, L.P. Holdings:**

Series B Convertible Preferred Stock (3 to 1 conversion ratio)	400,000 shares
Assigned Fair Value (Investment Cost)	\$4,000,000
Cost per Share	\$10.00
Series C1 Convertible Preferred Stock (3 to 1 conversion ratio)	182,146 shares
Assigned Fair Value (Investment Cost)	\$1,401,130
Cost per Share	\$7.69
Series C2 Convertible Preferred Stock	333,630 shares
Assigned Fair Value (Investment Cost)	\$814,057
Cost per Share	\$2.44
Warrants for Series A2 Convertible Preferred Stock	524,059 shares
Exercise Price Per Share	\$0.01
8% Convertible Promissory Note (Principal Balance)	\$155,677
% Ownership (Full Dilution)	5.7%
Company Valuation at CHP II Cost	\$112.5 million
Company Valuation at Assigned Fair Value	\$112.5 million

**Outlook:**

Notwithstanding the current cash flow issues facing the company, the new management team brought on in early 2008 has vastly improved the prospects for AllianceCare.

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

**Web-Based Business Practice Management Services for Physician Offices**

Period Summary: 3rd Quarter, 2008

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On August 13<sup>th</sup>, CHP II distributed 232,190 shares of Athenahealth (NASDAQ:ATHN) common stock at a value of \$7,687,811 (\$33.11 per share). As a result, we have booked a realized gain related to this distribution of \$6,972,666 in this quarter. Since the underwriters' lockup expired in March 2008, CHP II has distributed a total of 928,760 shares of Athena stock with a total value of \$28.3 million and recorded a combined total realized gain of \$25.4 million for the year. At September 30<sup>th</sup>, CHP II continues to hold 232,184 shares of Athenahealth common stock.

Athena reported strong operating results for the quarter, adding a record number of net new physicians and providers to their network. Total revenue for the three months ended September 30, 2008, was \$35.4 million, compared to \$26.2 million for the same period last year, an increase of 35%. The company's growth rate is strong and margins continue to expand even as they continue to make increased infrastructure investments, including substantial commission expense in the quarter related to growth. For the three months ended September 30, 2008, the Company's Non-GAAP Adjusted EBITDA grew to \$6.1 million, compared to a Non-GAAP Adjusted EBITDA of \$4.2 million for the same period last year.

Other key metrics and milestones in the third quarter of 2008 included the following:

- \* \$932 million in collections posted to client accounts in the third quarter of 2008, compared to \$704 million in the same quarter of 2007;
- \* 11,967 active physicians live in the third quarter of 2008, compared to 8,978 in the same quarter of last year;
- \* 17,297 active medical providers live in third quarter of 2008, compared to 11,510 in the same quarter of last year; and
- \* In the third quarter of 2008 there were 549 active medical providers using athenaClinicalsSM, of which 400 were physicians.

Athena has now been EBITDA positive for nine quarters running and has attained sustainable profitability. The company has sufficient capital resources to support operations plus forecast growth and infrastructure investment for the foreseeable future. The current annual revenue run rate for Athena exceeds \$140 million, with gross margins approaching 60%. The company has \$78.5 million in cash and only \$8.5 million in debt.

**ATHENAHEALTH, INC. (cont.)****FINANCIAL SUMMARY: (\$000)****Statement of Operations:**

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>09/30/08</u>	<u>09/30/07</u>	<u>09/30/08</u>	<u>09/30/07</u>
Revenues	35,428	26,168	98,156	72,608
Cost of Sales	14,392	11,732	41,795	33,900
Operating Expenses	<u>17,633</u>	<u>11,799</u>	<u>48,883</u>	<u>36,331</u>
Income (Loss) from Operations	+3,403	+2,637	+7,478	+2,377
Other Income (Expense)	+375	-1,908	-1,401	-7,678
Tax Benefit (Expense)	<u>-78</u>	<u>-217</u>	<u>-571</u>	<u>-271</u>
Net Income (Loss)	+3,700	+512	+8,308	-5,572
Diluted Earnings Per Share (\$)	+\$0.11	+\$0.05	+\$0.24	-\$0.91

**Summary Balance Sheet as of September 30, 2008:**

Cash	\$ 78,546	A/P & Accrued Expenses	\$ 1,636
Receivables	21,015	Accrued Compensation	14,258
Other Current Assets	<u>2,576</u>	Deferred Revenue	<u>8,965</u>
Total Current Assets	102,137	Total Current Liabilities	24,859
Net PP&E	19,729	Long Term Liabilities	16,154
Intangible & Other Assets	<u>10,618</u>	Shareholders Equity (Net)	<u>91,471</u>
Total Assets	<u>\$132,484</u>	Total Liabilities & Equity	<u>\$132,484</u>

**Comments:**

With net proceeds of \$81.3 million from its IPO in September 2007 and positive cash flow, the company has adequate capital resources to support operations for the foreseeable future.

**CHP II, L.P. Holdings:**

Common Stock	232,184 shares
Assigned Fair Value (232,184 x \$33.27)	\$7,724,762
Investment Cost	\$715,127
Cost per Share	\$3.08
% Ownership (Fully Diluted)	0.7%
Company Valuation at Cardinal Cost	\$107.3 million
Company Valuation at Market (\$33.91 per share)	\$1,158.6 million

CHP II, L.P.

Report for the Quarter Ended September 30, 2008

Page -26 -

**ATYR PHARMA, INC.**  
**San Diego, CA**  
*{www.atyrpharma.com}*

**Biopharmaceutical Development of Novel Protein Biologics for Regenerative Medicine.**

Period Summary: 3rd Quarter, 2008

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During the quarter, the aTyr scientific team continued to make good progress in line with its development plan for all three product development programs; protein biologic discovery, Mini-TyrRS, and the P43 recombinant protein. The company's lead compound discovery program for Hematopoietic growth factor activity is expected to file an Investigational New Drug ("IND") application with the FDA in early 2009. Cash burn for the quarter averaged \$460K per month, which was \$70K higher than the previous period. Cash burn is forecast to accelerate to almost \$500K per month by the end of next quarter as the company builds its clinical and development programs. Current capital is expected to be sufficient to support operations well into 2009.

During 2008, the company has continued to expand its intellectual property portfolio and recruited additional scientific and management staff. The company now has fully operational R&D facilities in San Diego and Hong Kong. The discovery platform has been proven and a pipeline of potential near-term product opportunities has been established.

aTyr currently has \$4.7 million in cash. Cash burn is forecast to ramp above \$500K per month by year-end as the company pursues aggressively its multilateral preclinical programs and continues to build its infrastructure. We expect the company to initiate a second round financing in the first few months of 2009. CHP II is holding \$4 million in reserves for future financings at aTyr.

**ATYR PHARMA, INC. (cont.)**

**FINANCIAL RESULTS: (\$000)**

Overview: (FYE 12/31)

	<i>2006 Actual</i>	<i>2007 Actual</i>	<i>2008 Budget</i>
Revenues	0	0	0
R&D Expenses	346	1,221	5,720
SG&A	375	1,457	1,895
EBIT	-721	-2,678	-7,615
Interest and Taxes	+28	+353	-71
<b>Net Income</b>	<b>-693</b>	<b>-2,325</b>	<b>-7,686</b>

Last Three Months: Quarter Ended September 30, 2008

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	0	0	0
R&D Expenses	1,103	1,430	+327
SG&A	586	464	-123
EBIT	-1,689	-1,894	+205
Interest and Taxes	+5	-59	+64
<b>Net Income</b>	<b>-1,684</b>	<b>-1,953</b>	<b>+269</b>

Fiscal Year-to-Date: Nine Months Ended September 30, 2008

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	0	0	0
R&D Expenses	2,454	4,920	+1,836
SG&A	1,463	1,411	-52
EBIT	-3,917	-5,701	+1,784
Interest and Taxes	+43	-14	+57
<b>Net Income</b>	<b>-3,847</b>	<b>-5,715</b>	<b>+1,841</b>

**ATYR PHARMA, INC. (cont.)**

**Summary Balance Sheet as of September 30, 2008: (\$000)**

Cash	\$ 4,666	Accounts Payable	\$ 92
Accounts Receivable	0	Accrued Expenses	112
Other Current Assets	<u>162</u>	Current Portion of Debt	<u>0</u>
Total Current Assets	4,828	Total Current Liabilities	204
Net PP&E	642	Long Term Liabilities	744
Intangibles (Net)	0	Shareholders Equity	12,452
Other Assets	<u>45</u>	Retained Earnings	<u>-7,885</u>
Total Assets	<u>\$ 5,515</u>	Total Liabilities & Equity	<u>\$ 5,515</u>

**Comments:**

Average monthly cash burn for the quarter was \$460K. Cash burn is forecast to rise above \$500K per month by the end of the year as the company ramps its development programs. The company has sufficient capital resources to operate well into 2009, but management expects to raise additional financing during the first half of 2009.

**CHP II, L.P. Holdings:**

Series A Convertible Preferred Stock	800,000 shares
Assigned Fair Value (800,000 shares x \$2.50)	\$2,000,000
Investment Cost	\$600,000
Cost per Share	\$0.80
Series A Convertible Preferred Stock	1,200,000 shares
Assigned Fair Value	Investment Cost
Investment Cost	\$3,000,000
Cost per Share	\$2.50
% Ownership (Full Dilution)	30.0%
Company Valuation at CHP II Cost	\$12.0 million
Company Valuation at Assigned Fair Value	\$16.5 million

**Outlook:**

aTyr is focused on an emerging technology with many potential therapeutic and cosmetic targets. The building of a strong investor syndicate validates the potential value inherent in the aTyr development platform. The technology will also require a relatively small investment to validate its initial targets.

**AXOGEN, INC.**  
**Gainesville, FL**  
*{www.axogeninc.com}*

**Human allograft for peripheral nerve repair and regeneration.**

Period Summary: 3rd Quarter, 2008

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AxoGen had another excellent quarter of clinical and business development progress. After a sluggish beginning early in the year, sales through the distribution agreement with Stryker have picked up pace and finally met quota in September. Sales for the quarter were \$646K, bringing YTD sales to \$1.5 million. The company has generated positive gross margins for four months running. The company is well ahead of its cash forecast for 2008, with cash burn accelerating to expected levels as the company invests to support anticipated growth in product sales. Current cash resources are sufficient to support operations at these accelerated levels into Q3 2009.

Monthly cash burn for the quarter averaged \$900K, in line with expectations as the company builds infrastructure to support its product commercialization. Forecast cash burn is expected to remain at this level for the next few months and then trend down in early 2009. The company is \$2.4 million ahead of its EBITDA forecast through September and expects to be more than \$3 million ahead for the year.

The November 2007 insider led \$12 million financing is expected to last into Q3 2009. The company is hopeful of either a significant capital infusion from a strategic partner or an acquisition based upon the roll-out of a second product line, expected in early 2009. As a precaution, Cardinal has \$1 million held in reserve for future financing requirements at AxoGen.

**AXOGEN, INC. (cont.)**

**FINANCIAL RESULTS: (\$000)**

Overview: (FYE 12/31)

	<i>2006 Actual</i>	<i>2007 Actual</i>	<i>2008 Budget</i>
Revenues	0	38	4,040
COGS	0	20	1,472
R&D Expenses	685	2,440	4,335
SG&A	1,558	7,281	9,860
EBIT	-2,243	-9,703	-11,627
Interest and Taxes	+259	+397	+22
<b>Net Income</b>	<b>-1,984</b>	<b>-9,307</b>	<b>-11,605</b>

Last Three Months: Quarter Ended September 30, 2008

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	646	1,130	-484
Cost of Goods Sold	237	665	+428
R&D Expenses	201	1,020	+819
SG&A	1,665	2,251	+586
EBIT	-1,457	-2,806	+1,349
Interest and Taxes	-132	-4	-128
<b>Net Income</b>	<b>-1,589</b>	<b>-2,810</b>	<b>+1,221</b>

Fiscal Year-to-Date: Nine Months Ended September 30, 2008

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	1,505	2,626	-1,121
Cost of Goods Sold	1,308	1,491	+183
R&D Expenses	1,100	3,263	+2,163
SG&A	5,178	6,728	+1,550
EBIT	-6,081	-8,856	+2,775
Interest and Taxes	-292	+74	-366
<b>Net Income</b>	<b>-6,373</b>	<b>-8,782</b>	<b>+2,409</b>

**AXOGEN, INC. (cont.)****Summary Balance Sheet as of September 30, 2008: (\$000)**

Cash	\$ 10,561	Accounts Payable	\$ 1,106
Accounts Receivable	281	Accrued Expenses	1,976
Inventories & OCA	<u>3,992</u>	Other Current Liabilities	<u>2,252</u>
Total Current Assets	14,834	Total Current Liabilities	5,334
Net PP&E	1,152	Long Term Liabilities	5,105
Intangibles (Net)	549	Shareholders Equity	24,396
Other Assets	<u>147</u>	Retained Earnings	<u>-18,153</u>
Total Assets	<u>\$16,682</u>	Total Liabilities & Equity	<u>\$16,682</u>

**Comments:**

Monthly cash burn for the quarter averaged \$900K, in line with expectations as the company builds its sales and marketing organization. The company is currently \$4.5 million ahead of its cash forecast due to lower sales and slower inventory build-up. Current capital resources are sufficient to support operations into Q3 2009.

**CHP II, L.P. Holdings:**

Series B Convertible Preferred Stock	7,065,217 shares
Assigned Fair Value (7,065,217 shares x \$0.7345)	\$5,189,402
Investment Cost	\$3,250,000
Cost per Share	\$0.46
Series C Convertible Preferred Stock	5,445,882 shares
Assigned Fair Value	Investment Cost
Investment Cost	\$4,000,000
Cost per Share	\$0.7345
% Ownership (Full Dilution)	24.7%
Company Valuation at CHP II Cost	\$29.4 million
Company Valuation at Assigned Fair Value	\$37.2 million

**Outlook:**

With sales building, we remain very enthusiastic about the prospects for AxoGen.

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

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

Period Summary: 3rd Quarter, 2008

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Cardio-Optics is continuing its wind-down this quarter and will likely complete a formal dissolution by the end of the year. Most of the outstanding liabilities have been resolved and asset sales are in process. Management currently expects to have approximately \$2 million available for distribution to shareholders after the liquidation process is complete. The initial distribution of funds to the shareholders is expected to be \$1.5 million, and will occur by year-end 2008. All shareholder distributions will be allocated on the basis of the Series B Preferred liquidation preference. On that basis, CHP II will receive 12% of any funds distributed to the shareholders.

Once the formal dissolution certificate is filed with the State of Delaware in Q4 2008, CHP II will realize a loss of \$2,367,630 on its Series A preferred stock investment.

CHP II, L.P. Holdings:

Series A Convertible Preferred Stock	1,938,310 shares
Assigned Fair Value (1,938,310 x \$0.00)	\$0
Investment Cost	\$2,367,630
Cost per Share	\$1.2215

Series B Convertible Preferred Stock	1,153,329 shares
Assigned Fair Value	\$375,000
Investment Cost	\$3,801,372
Cost per Share	\$3.296

Series B Liquidation Preference %	12.1%
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**CODERYTE, INC.**  
**Bethesda, MD**  
*{www.coderyte.com}*

**Web-based Automated Coding of Transcribed Medical Documents**

Period Summary: 3rd Quarter, 2008

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During this quarter, CodeRyte set records in both new customer sales and implementations. However, the sales shortfall in Q1 2008, coupled with an implementation lag the following quarter, has caused the company to fall behind its 2008 forecast for revenue and EBITDA. Monthly cash burn for the quarter averaged \$730K, about 10% more than forecast due to the revenue shortfall for the period. As the quarter came to a close, management reached agreement on terms for a \$13 million financing to be led by Versant Ventures. Versant will invest \$8 million at a \$43 million pre-money value, validating the post-money value of the Series C insider-led financing that closed in August 2007. This capital infusion will be more than sufficient to bring the company to cash flow breakeven, forecast for Q4 2009. The current investor syndicate will invest the remaining \$5 million, with CHP II contributing its pro rata share of \$1.1 million. The financing is scheduled to close in late October.

The miss on its sales and implementation targets during Q1 2008 has impacted revenues in the current quarter. As a result, year-to-date revenues are 20% below plan. Correspondingly, EBITDA for the period was \$500K below plan.

As reported last quarter, in April 2008, CHP II contributed \$813,970 towards a \$4.5 million bridge financing for CodeRyte, in the form of an 8% convertible promissory note. In July, the note, together with \$4,814 in accrued interest, was automatically converted into 85,290 shares of Series C convertible preferred stock.

The upcoming financing provides CodeRyte with financial security for the next 2-3 years. With significant sales momentum and a solid core of recurring revenue clients, the company is poised to take great strides forward in the coming year.

**CODERYTE, INC. (cont.)****FINANCIAL RESULTS: (\$000)**

Overview:

	<i>2004 Actual</i> (FYE 6/30)	<i>2005 Actual</i> (Calendar)	<i>2006 Actual</i> (Calendar)	<i>2007 Actual*</i> (Calendar)	<i>2008 Budget</i> (Calendar)
Revenues	1,824	2,910	4,609	5,841	11,681
Cost of Sales	0	0	0	0	0
Operating Expenses	4,223	9,502	12,114	14,993	17,707
EBITDA	-2,399	-6,592	-7,505	-9,152	-6,026
Depreciation & Amort.	-48	-203	-76	-115	-125
Other Income (Exp.)	+81	+85	+273	+207	-197
<b>Net Income</b>	-2,366	-6,710	-7,308	-9,060	-6,348

\* - Subject to Audit

Last Three Months: Quarter Ended September 30, 2008

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	2,122	3,249	-1,127
Cost of Sales	0	0	0
Operating Expenses	4,019	4,644	+625
EBITDA	-1,897	-1,395	-502
Depreciation & Amort.	-30	-25	-5
Other Income (Expense)	-70	-60	-10
<b>Net Income</b>	-1,997	-1,480	-517

Fiscal Year-to-Date: Nine Months Ended September 30, 2008

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	6,013	7,600	-1,587
Cost of Sales	0	0	0
Operating Expenses	12,121	13,125	+1,004
EBITDA	-6,108	-5,525	-583
Depreciation & Amort.	-72	-80	+8
Other Income (Expense)	-197	-155	-42
<b>Net Income</b>	-6,377	-5,760	-617

**CODERYTE, INC. (cont.)****Summary Balance Sheet as of September 30, 2008: (\$000)**

Cash	\$ 1,192	Accounts Payable	\$ 388
Accounts Receivable	2,757	Accrued Expenses	1,158
Other Current Assets	<u>295</u>	Deferred Revenue	<u>426</u>
Total Current Assets	4,244	Total Current Liabilities	1,972
Net PP&E	276	Long Term Liabilities	6,023
Intangibles (Net)	174	Shareholders Equity	35,160
Other Assets	<u>7</u>	Retained Earnings	<u>-38,454</u>
Total Assets	<u>\$ 4,701</u>	Total Liabilities & Equity	<u>\$ 4,701</u>

**Comments:**

CodeRyte had an average monthly cash burn of \$740K for the quarter, in line with last quarter, but 10% behind plan. In October, the company will completed a \$13 million financing led by Versant Ventures. This capital is more than sufficient to carry the company to cash flow positive, forecast to occur during the second half of 2009.

**CHP II, L.P. Holdings:**

Series B Convertible Preferred Stock	326,675 shares
Assigned Fair Value	Investment Cost
Investment Cost	\$2,780,004
Cost per Share	\$8.51
Series C Convertible Preferred Stock	319,246 shares
Assigned Fair Value	Investment Cost
Investment Cost	\$3,064,762
Cost per Share	\$9.60
% Ownership (Full Dilution)	14.2%
Company Valuation at CHP II Cost	\$41.3 million
Company Valuation at Assigned Fair Value	\$41.3 million

**Outlook:**

CodeRyte has a superior and proprietary technology with broad applicability in the clinical healthcare market. With the forthcoming \$13 million financing, we have high expectations for our investment in CodeRyte.

**MITRALSOLUTIONS, INC.**  
**Ft. Lauderdale, FL**  
*{www.mitralsolutions.com}*

**Development of Innovative Surgical and Percutaneous Medical Devices for Treatment  
of Valvular Heart Disease and Congestive Heart Failure.**

Period Summary: 3rd Quarter, 2008

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During the quarter, Mitral has completed all necessary feasibility and safety studies for its adjustable annuloplasty ring in an open surgical setting for the treatment of patients with mitral regurgitation. The company has now successfully implanted the device in over 50 patients, with generally excellent results, and is now preparing to apply for regulatory approval in both the U.S and Europe. To support this clinical timeline, the investor syndicate completed a \$2 million bridge financing in August, with CHP II contributing \$911K. The company continues to talk to a select few potential new venture investors, but the primary focus now is on obtaining financing from a strategic partner. The board is engaging an investment banking firm to run the process going forward. The company will likely require additional financing prior to year-end and the investor syndicate is prepared to provide an extension to the current bridge.

The clinical plan for the open surgical device is that after a 6 month follow-up with the initial patients, a CE Mark application will be submitted for marketing approval in Europe. The CE Mark application is now expected to be filed in December 2008, with approval by mid-year 2009. The 510(k) application with the FDA will follow closely behind the CE Mark. The clinical plan for the minimally invasive application of the Mitral technology shows it running about a year behind the open surgical product.

During the quarter, cash burn averaged \$475K per month, in line with expectations as clinical expenditures increased to meet the company's forecast regulatory approval timeline. A \$2.0 million insider-led bridge financing that closed in August was in the form of an 8% convertible promissory note. CHP II contributed \$911,430 towards this bridge financing. A \$1-\$2 million addition to the bridge is likely to occur during Q4 2008, as the company continues to explore its strategic partnering options. CHP II currently has a total of \$1.5 million held in reserve for future financings at Mitral. We remain optimistic that the favorable clinical results to-date will lead to either a significant strategic financing or an acquisition of the company during 2009.

**MITRALSOLUTIONS, INC. (cont.)**

**FINANCIAL RESULTS: (\$000)**

Overview:

	<i>2005 Actual</i>	<i>2006 Actual</i>	<i>2007 Actual</i>	<i>2008 Budget</i>
Revenues	0	0	0	0
R&D Expenses	183	1,720	2,314	3,476
Operating Expenses	550	1,335	1,196	1,500
EBIT	-733	-3,055	-3,510	-4,976
Other Income (Expense)	+11	+172	+103	+92
<b>Net Income</b>	<b>-722</b>	<b>-2,883</b>	<b>-3,407</b>	<b>-4,884</b>

Last Three Months: Quarter Ended September 30, 2008

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	0	0	0
R&D Expenses	1,007	854	-153
Operating Expenses	337	331	-6
EBIT	-1,344	-1,185	-159
Other Income (Expense)	+4	+25	-21
<b>Net Income</b>	<b>-1,340</b>	<b>-1,160</b>	<b>+180</b>

Fiscal Year-to-Date: Nine Months Ended September 30, 2008

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	0	0	0
R&D Expenses	2,677	2,680	+3
Operating Expenses	1,108	1,184	+76
EBIT	-3,785	-3,864	+79
Other Income (Expense)	+33	+75	-42
<b>Net Income</b>	<b>-3,752</b>	<b>-3,789</b>	<b>+37</b>

**MITRALSOLUTIONS, INC. (cont.)****Summary Balance Sheet as of September 30, 2008: (\$000)**

Cash	\$ 866	Accounts Payable	\$ 592
Accounts Receivable	0	Accrued Expenses	230
Other Current Assets	<u>72</u>	Notes Payable	<u>1,999</u>
Total Current Assets	938	Total Current Liabilities	2,821
Net PP&E	23	Long Term Debt - Lease line	0
Intangibles (Net)	79	Shareholders Equity	9,887
Other Assets	<u>375</u>	Retained Earnings	<u>-11,293</u>
Total Assets	<u>\$ 1,415</u>	Total Liabilities & Equity	<u>\$ 1,415</u>

**Comments:**

During the current quarter, average cash burn was \$475K per month, slightly above forecast as management accelerated its clinical testing in preparation for U.S and European regulatory filings. To maintain the current clinical timeline, additional capital will likely be required in Q4 2008. Management and the investor syndicate are discussing financing options.

**CHP II, L.P. Holdings:**

Series B Convertible Preferred Stock	12,037,037 shares
Assigned Fair Value (12,037,037 x \$0.40925)	\$4,926,157
Investment Cost	\$3,250,000
Cost per Share	\$0.27
Series C Convertible Preferred Stock	3,717,742 shares
Assigned Fair Value (3,717,742 x \$0.40925)	\$1,521,486
Investment Cost	\$1,152,500
Cost per Share	\$0.31
8% Convertible Promissory Note	\$911,430
% Ownership (Full Dilution)	32.3%
Company Valuation at CHP II Cost	\$14.0 million
Company Valuation at Assigned Fair Value	\$20.0 million

**Outlook:**

The capital requirements to get this investment to a successful exit remain relatively low. Early clinical success has bolstered our confidence about the prospects for an excellent return on our investment in Mitral.

CHP II, L.P.

Report for the Quarter Ended September 30, 2008

Page -39 -

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

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

Period Summary: 3rd Quarter, 2008

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The company completed the redesign and mechanical testing of the new implant device at the end of last quarter and has begun human testing in China. Over the last five months, the redesigned device has been successfully implanted in 5 patients with no signs of the previous extrusion problems. The new devices utilize a stronger and more flexible polymer material than was utilized in earlier versions of the NeuDisc™ devices. This puts the timing for a pilot study IDE application to the FDA into early Q2 2009. Management currently forecasts the company has sufficient capital resources to complete initial enrollment and procedures for its pilot IDE study.

Average monthly cash burn for 2008 has been below \$200K per month, well under forecast due to the lower than planned clinical expenditures. This level of burn will remain constant as the company completes some more implants of its redesigned product in China through the end of the year. We forecast that Replication has adequate capital resources to support operations through its IDE pilot approval, expected in late 2009. The company would require additional financing at that time if it has not been acquired or completed a strategic partnership. Additional financing alternatives are being explored including technology licensing, strategic investment and acquisition. Cardinal Principals Brandon Hull and Chuck Hadley continue to work closely with company management to ensure that specified milestones are met in a cost efficient manner.

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

Overview: (FYE 12/31)

	<i>2004 Actual</i>	<i>2005 Actual</i>	<i>2006 Actual</i>	<i>2007 Actual*</i>	<i>2008 Budget</i>
Revenues	0	0	0	0	0
R&D Expenses	2,600	2,662	3,074	2,033	2,455
Operating Expenses	456	1,127	770	1,105	1,250
EBIT	-3,056	-3,749	-3,844	-3,138	-3,705
Interest and Taxes	12	+91	+592	+256	+80
<b>Net Income</b>	<b>-3,044</b>	<b>-3,658</b>	<b>-3,252</b>	<b>-2,882</b>	<b>-3,625</b>

\* - Subject to Audit

Last Three Months: Quarter Ended September 30, 2008

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	0	0	0
R&D Expenses	430	700	+270
Operating Expenses	114	162	+48
EBIT	-544	-862	+318
Interest and Taxes	+9	+8	+1
<b>Net Income</b>	<b>-535</b>	<b>-854</b>	<b>+319</b>

Fiscal Year-to-Date: Nine Months Ended September 30, 2008

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	0	0	0
R&D Expenses	1,179	1,990	+811
Operating Expenses	210	475	+265
EBIT	-1,389	-2,465	+1,076
Interest and Taxes	+63	+65	-2
<b>Net Income</b>	<b>-1,326</b>	<b>-2,400</b>	<b>+1,074</b>

## REPLICATION MEDICAL (cont.)

### Summary Balance Sheet as of September 30, 2008: (\$000)

Cash	\$ 2,644	Accounts Payable	\$ 42
Prepaid Expenses	0	Accrued Expenses	204
Other Current Assets	<u>34</u>	Notes Payable	<u>0</u>
Total Current Assets	2,678	Total Current Liabilities	246
Net PP&E	450	Long Term Debt	0
Intangibles (net)	0	Shareholders Equity	26,411
Other Assets	<u>0</u>	Retained Earnings	<u>-23,529</u>
Total Assets	<u>\$ 3,128</u>	Total Liabilities & Equity	<u>\$ 3,128</u>

#### Comments:

Monthly cash burn has averaged \$190K for the quarter, well ahead of expectations. With its current low burn model, the company has sufficient capital resources to operate through most of 2009 and hopefully into the IDE approval process with the FDA.

#### CHP II, L.P. Holdings:

Series B Convertible Preferred Stock	2,614,516 shares
Assigned Fair Value (2,614,516 x \$0.9562)	\$2,500,000
Investment Cost	\$2,500,000
Cost per Share	\$0.9562
Series C Convertible Preferred Stock	299,281 shares
Assigned Fair Value (299,281 x \$1.90)	\$568,634
Investment Cost	\$566,759
Cost per Share	\$1.90
% Ownership (Full Dilution)	17.6%
Company Valuation at CHP II Cost	\$17.5 million
Company Valuation at Assigned Fair Value	\$17.5 million

#### Outlook:

Even with Abbott electing not to exercise its purchase option, we remain cautiously optimistic the company will make sufficient clinical progress on its remaining capital and provide a decent return on our investment.

**RIB-X PHARMACEUTICALS, INC.**  
**New Haven, CT**  
*{www.rib-x.com}*

**Structure-Based Design of Anti-Infective Agents**

Period Summary: 3rd Quarter, 2008

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The two lead programs at Rib-X made significant clinical progress this quarter. Both programs are in the final stages of Phase II clinical trials and both remain on track to report results in the first half of 2009. The expense of these clinical trials remains high, but the team has made substantial cutbacks in lower level programs during 2008 to reduce cash burn. The private fundraising effort stalled at the end of the summer when it became evident that the valuation goal set by the Board would not be met. The company has sufficient capital resources to support current operations into Q1 2009. Management has recently proposed additional lower level program cuts to reduce cash burn by \$5 million next year. Terms for a \$25 million insider-led bridge financing are being discussed and should be completed by December.

Financial performance for the quarter was ahead of plan due to program cutbacks enacted earlier this year to conserve capital. Cash burn has accelerated somewhat this quarter to accelerate completion of Phase 2 clinical studies on the lead Radezolid program. Monthly cash burn is expected to continue at about \$3.0-3.5 million up until the end of 2008 as the company advances Phase 2 clinical trials with its two lead compounds. The company remains well ahead of its original cash forecast for the year.

At the current forecast burn rate, the company would require additional financing by the end of Q1 2009. The current investor syndicate has proposed a \$25 million bridge financing in the form of convertible promissory notes with a 1.5 times liquidation preference. This would supply the company with sufficient capital to get its two lead programs through the critical Phase II clinical trials that are currently ongoing.

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

Overview: (FYE 12/31)

	<i>2004 Actual</i>	<i>2005 Actual</i>	<i>2006 Actual</i>	<i>2007 Actual*</i>	<i>2008 Budget</i>
Revenues	0	502	770		0
R&D Expenses	10,230	11,630	12,789	19,944	47,953
Operating Expenses	3,534	5,178	11,659	12,934	14,136
EBIT	-13,764	-16,306	-23,678	-32,878	-62,089
Interest and Taxes	+394	+635	+1,915	+1,895	-560
<b>Net Income</b>	<b>-13,370</b>	<b>-15,671</b>	<b>-21,763</b>	<b>-30,983</b>	<b>-62,649</b>

\* - Preliminary, Subject to Audit

Last Three Months: Quarter Ended September 30, 2008

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	0	0	0
R&D Expenses	7,149	10,113	+2,964
Operating Expenses	3,055	3,400	+445
EBIT	-10,204	-13,613	+3,409
Interest and Taxes	-452	-128	+324
<b>Net Income</b>	<b>-10,656</b>	<b>-13,741</b>	<b>+3,085</b>

Fiscal Year-to-Date: Nine Months Ended September 30, 2008

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	0	0	0
R&D Expenses	16,244	36,923	+20,679
Operating Expenses	10,245	10,587	+342
EBIT	-26,489	-47,510	+21,021
Interest and Taxes	-867	-235	-632
<b>Net Income</b>	<b>-27,356</b>	<b>-47,745</b>	<b>+20,389</b>

## **RIB-X PHARMACEUTICALS, INC. (cont.)**

### **Summary Balance Sheet as of September 30, 2008: (\$000)**

Cash	\$ 17,455	Accounts Payable	\$ 1,869
Grants Receivable	350	Accrued Expenses	6,433
Other Current Assets	<u>353</u>	Notes Payable Current	<u>16,119</u>
Total Current Assets	18,158	Total Current Liabilities	24,421
Net PP&E	2,162	Notes Payable	0
Intangibles (net)	0	Shareholders Equity	124,222
Other Assets	<u>298</u>	Retained Earnings	<u>-128,025</u>
Total Assets	<u>\$20,618</u>	Total Liabilities & Equity	<u>\$20,618</u>

#### **Comments:**

Rib-X is \$5 million ahead of its cash forecast for 2008. However, operating cash burn is still averaging in excess of \$3.0 million per month. The company has sufficient capital to support current operations into Q2 2009.

#### **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
Series C Convertible Preferred Stock	4,847,310 shares
Assigned Fair Value (cost)	\$3,000,000
Investment Cost	\$3,000,000
Cost per Share	\$0.6189
% Ownership (Full Dilution)	5.0%
Company Valuation at CHP II Cost	\$140.0 million
Company Valuation at Assigned Fair Value	\$140.0 million

#### **Outlook:**

Rib-X has a high potential and proprietary anti-infective drug development platform. With a strong investor syndicate, we remain confident about the prospects for Rib-X.