

**CHP II, L.P.**  
**QUARTERLY REPORT**  
**2nd QUARTER, 2006**

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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**  
**2nd QUARTER, 2006**  
**TABLE OF CONTENTS**

QUARTERLY ACTIVITY SUMMARY .....	1
FINANCIAL STATEMENTS .....	5
PORTFOLIO VALUATION .....	16
ALLIANCECARE, INC. (a/k/a MOBILE MEDICAL INDUSTRIES).....	21
ATHENAHEALTH, INC. ....	24
ATYR PHARMA, INC. ....	27
AXOGEN, INC. ....	30
CARDIO-OPTICS, INC. ....	33
CODERYTE, INC. ....	36
INTELLICARE AMERICA .....	39
MITRALSOLUTIONS, INC. ....	40
MOMENTA PHARMACEUTICALS, INC. ....	43
REPLICATION MEDICAL, INC. ....	45
RIB-X PHARMACEUTICLAS, INC. ....	48
SIRTRIS PHARMACEUTICALS, INC. ....	51
DEAL LOG ACTIVITY REPORT .....	Appendix A

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TO: The Limited Partners  
FROM: John K. Clarke  
DATE: August 25, 2006  
SUBJECT: Activity for the Quarter Ended June 30, 2006

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Highlights for the second quarter of 2006 include: Rib-X completing a \$50 million third round financing and the initiation of Phase 1 clinical trials at Sirtris for its lead compound, a terrific accomplishment for a barely two year old biopharmaceutical company. The remainder of the CHP II portfolio continued to make steady operational progress and we remain confident that the portfolio will continue to produce top quartile returns for our investors. The following are short summaries of activity for the quarter in each of our portfolio companies.

**AllainceCare (aka Mobile Medical Industries)** - Overall financial performance for Q2 2006 was disappointing. Revenues for the period were flat as compared to Q1 at \$19.4 million, and well below forecast. Gross margins improved 100 basis points to 38.5%, but were also well below expectations as expected improvements from implementation of a performance pay model last quarter. Changes to the pay model have been initiated and the expected benefits from these changes of \$350K to \$450K per month improvement in direct labor expenses should be fully realized in September. EDITDA declined \$350K relative to Q1 due primarily to staff reductions undertaken during the period. The company will now likely require a bridge financing by the end of next quarter. Management and the investor syndicate are evaluating the strategic options for the company including: a sale to a financial buyer or vertical integrators; complete a financing and operating the business focusing on growth, improving margins and decreasing G&A as a % of revenue; or merger with a strategic partner in the home healthcare sector.

**AthenaHealth** – New contract bookings and revenue growth were strong in Q2 and Athena is poised to turn the corner to profitability during the second half of 2006. The company reached the mid-year mark ahead of both its revenue and income forecasts, however lower new contract bookings than expected, primarily from Q1, will have an impact on budgeted financial performance for the year. Management's reforecast for 2006, reflecting the impact of the missed sales target for 1H 2006, shows revenues of \$77.2 million or \$2 million lower than plan. EBITDA will also be unfavorably impacted as a result of additional spending on sales and marketing, operational infrastructure improvements, and spending in preparation for a potential initial public offering. EBITDA is now forecast to be \$4.4 million for the year, with the company remaining on target to turn solidly profitable in Q4 2006. The annualized revenue run rate at the end of June was \$77.3 million on a contract base of \$87 million. Over the next two quarters, the company will gear up its preparations for the potential of filing for its IPO as early as year-end 2006.

**aTyr Pharma** - Atyr Pharma made significant progress during the quarter. The company completed the first of two exclusive license agreements that will solidify its intellectual property position in the wound healing and cosmeceutical areas. The second license is in later stage negotiations and should be completed next quarter. Proof of concept pre-clinical studies performed in *in vivo* models have produced encouraging results supporting the potential of the technology in wound management and vascular therapy. Management has begun looking at potential office and laboratory space for an expansion of in-house research and development activities. Finally, as the quarter came to a close, the company agreed in principal to terms for a \$10 million first round financing to support expanded operations.

**AxoGen** - After closing its first round financing in March, the company began gearing up product development for its lead Advance™ peripheral nerve graft product. A manufacturing facility has been chosen and is on track to be operational by the end of summer. The company has also initiated its validation, testing and commercialization/regulatory programs towards a target launch of mid-2007 for the Advance™ product. Finally, the company is in negotiation with a leading medical device company towards a marketing and distribution partnership.

**CardioOptics** – Cardio-Optics had another successful quarter of progress ending in June. Sales of the CSA™ system are tracking ahead of plan although gross margins were down due to manufacturing inefficiencies. The CSA™ system was utilized in 34 clinical procedures during the quarter, with improving image stability. Financial results were ahead of plan, with the company slightly behind on its cash forecast due to payables timing. Good progress was made on the development of the TE Catheter Ablation product and the company remains on plan to submit an Investigational Device Exemption application (“IDE”) with the FDA in 2006.

**CodeRyte** – CodeRyte continued to progress steadily towards its primary goals for 2006 of revenue growth and streamlined implementation during the current quarter. Financial performance was ahead of plan with revenues growing by 18% over the prior quarter and expenses running well ahead of forecast due to delayed hiring related to the reorganization completed last quarter. The company missed its sales target for the quarter, but made significant progress with several important prospects and closed over \$1 million in new bookings during July. Monthly cash burn is currently \$650K and is expected to steadily decrease to \$500K per month by yearend 2006. With the financing and credit facility completed last quarter, the company has adequate financial resources to support operations into 2008.

**MitralSolutions, Inc.** - While the product development track slipped a little this quarter due to and engineering transition, management is still expecting to complete pre-clinical testing of the open surgical product by Q3 2006, initiate human clinical testing in November and file a 501(k) submission with the FDA by January 2007. Financially the company is currently burning \$150K per month, which is \$100K under plan. Cash burn is expected to ramp up closer to plan of \$300K per month in the coming quarter. Management has revised the 2006 forecast to reflect a 10% increase in engineering and clinical testing expenditures for the last six months of 2006.

**Momenta** – For the second quarter of 2006, Momenta continued to guide its lead product M-Enoxaparin through the FDA review process and prepare for possible commercialization, while closely tracking the Aventis patent disallowance litigation. The company also continued to advance M118, its second product offering, through preclinical and manufacturing activities in support of an IND filing expected to be completed by mid-summer. Financial results for the period showed a net loss of \$12.6 million compared with a net loss of \$4.6 million for the same period last year. At June 30, 2006, the company held cash and cash equivalents of \$139.9 million. Cash burn for the quarter was \$9 million and stands at \$16 million year-to-date.

***Replication Medical*** – As we approach the deadline for Abbott to exercise its option to extend its right to acquire Replication based on milestones, we now place a 50/50 probability that Abbott will exercise the option. There has been substantial and abrupt personnel turnover at Abbott in the group that signed the original agreement last summer and no new champion has appeared. We continue to keep in contact with Abbott, but their representatives have shown little interest in the program. In other news this quarter, the company has received comments from a pre-IDE meeting with the FDA held in early April and based upon those comments management has revised its expectations for timing on its IDE application to late Q3/early Q4 2006.

***Rib-X Pharmaceuticals*** – During the quarter, Rib-X continued to progress its development programs through clinical and pre-clinical trials, as well as complete a third round financing. The lead program was reactivated during the period with a second compound beginning Phase I clinical trials. In addition, the company completed the in-licensing of a compound from Abbott Laboratories that management believes can be in Phase III clinical studies by the end of 2007. Finally, in June the company completed a \$50 million third round financing that is sufficient to support operations into 2008. All of the current investors participated in the financing, along with two new investors, Radius Venture Partners and Medimmune Ventures.

***Sirtris Pharmaceuticals*** – A major accomplishment was achieved during the current quarter with the filing of an initial Investigational New Drug Application (“IND”) with the FDA for SRT 501 and the completion of dosing for an initial Phase 1 clinical trial. The company is now planning additional Phase 1 trial studies targeting type II diabetes and neurological or mitochondrial disorders, which it hopes to complete by the end of the year. With the lead program moving into the clinic, the key goals for the next 6-9 months are: completion of a strategic partnership with one or more major pharmaceutical partners and selecting and initiating work on a second target beyond SIRT1.

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

### **Deal Flow:**

During the quarter, we have reviewed 64 new business proposals. Current “A” deals include: Angiogenex, BioConnect, Circulite, EKO Systems and Tivamed. An alphabetical list of all deals received with a brief business description, deal source and deal status is included in the Appendix to this report.

### **Financial Results:**

During the quarter, there was one capital call for a total of \$3.5 million. Utilization of these funds included the \$3.0 million investment in Rib-X Pharmaceuticals and payment of fund fees and expenses. As of June 30, 2006, cumulative capital contributions stand at \$97.5 million or 83% of total fund commitments. Cash at the end of the period was \$237K and net assets totaled \$70.3 million. Net loss for the quarter was \$4.0 million, consisting of \$662K in net operating expenses and a \$3.3 million decrease in cumulative unrealized portfolio appreciation. Changes in portfolio valuation for the quarter included an unrealized loss for Momenta of \$3.3 million related to a public market price decrease. Year-to-date net income stands at \$4.1 million.

**Looking forward:**

Total cumulative distributions through June 30, 2006 stand at \$85.9 million or 88% of contributed capital. We forecast an additional \$10-15 million in liquidity from the portfolio during 2006. The cumulative CHP II net to investors IRR now stands at 13.8%, solidly in the upper quartile for 2000 vintage year venture funds.

We appreciate your input and support and remain committed to providing top tier returns to our investors.

*Please note that effective April 1, 2006, Cardinal Partners has relocated its headquarters office to 600 Alexander Park, Suite 204, Princeton, NJ 08540. Telephone and facsimile numbers remain the same.*

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**CHP II, L.P.**  
**Income Statement**  
**For the Period Ended June 30, 2006**

	Three Months Ended 06/30/06	Six Months Ended 06/30/06
Revenue:		
Non Portfolio Income	\$735	\$15,608
Interest-Equivalent Amounts	0	0
Expenses:		
Management Fee	586,591	1,165,682
Professional Fees	57,178	70,223
NVCA Dues & Expenses	0	0
Amortization of Organization Costs	3,550	3,550
Annual Meeting & Miscellaneous	20,000	30,000
Total Expenses	667,319	1,269,455
Net Operating Expense	(666,584)	(1,253,847)
Investment Income	3,672	7,868
Net Income Before Gains (Losses)	(662,912)	(1,245,979)
Realized Gains (Losses)	0	25,893,148
Unrealized Gains (Losses)	(3,314,010)	(20,525,247)
Net Income (Loss)	(\$3,976,922)	\$4,121,922

**CHP II, L.P.**  
**Balance Sheet**  
**As of June 30, 2006**

<b>ASSETS:</b>	Period Ended 06/30/06	Period Ended 03/31/06
Cash and Short-Term Investments	\$237,151	\$457,791
Cash Held in Escrow (Net of Reserve of \$274,892)	500,000	500,000
Accrued Interest	4,511	839
Venture Capital Investments	69,370,370	69,684,380
Organization Costs (Net of Accum. Amortization)	0	0
Other Assets	202,216	185,442
	<u>\$70,314,248</u>	<u>\$70,828,452</u>
 <b>LIABILITIES &amp; CAPITAL:</b>		
Accrued Expenses and Payables	\$24,000	\$61,283
Partners' Accounts	70,290,248	70,767,169
Total Liabilities and Capital	<u>\$70,314,248</u>	<u>\$70,828,452</u>



**CHP II, L.P.**  
**Footnotes**  
**As of June 30, 2006**

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

Note 2 – Net Cash Held in Escrow	06/30/06	03/31/06
IntelliCare Escrowed Funds	\$774,892	\$774,892
Reserve on IntelliCare Escrow	(274,892)	(274,892)
Total	<u>\$500,000</u>	<u>\$500,000</u>

Note 3 – Accrued Interest	06/30/06	03/31/06
General Partner Promissory Notes	\$4,511	\$839
Total	<u>\$4,511</u>	<u>\$839</u>

Note 4 – Net Organization Costs	06/30/06	03/31/06
Organization Costs	\$183,232	\$183,232
Accumulated Amortization	(183,232)	(183,232)
Total	<u>\$0</u>	<u>\$0</u>

Note 5 – Other Assets	06/30/06	03/31/06
GP Promissory Note Principal	\$200,716	\$184,092
Prepaid NJ State Filing Fees	1,500	1,350
Total	<u>\$202,216</u>	<u>\$185,442</u>

Note 6 – Accrued Expenses and Payables	06/30/06	03/31/06
Professional Fees	\$24,000	\$39,707
NVCA Dues & Annual Meeting	0	18,451
Management Fees	0	3,125
Other Accrued Expenses	0	0
Total	<u>\$24,000</u>	<u>\$61,283</u>

Note 7 – Financial Highlights (Return & IRR)	Net to LP's	Total Fund
Year-to-Date Return on Net Assets	2.33%	2.76%
Internal Rate of Return Since Inception	13.81%	16.40%

**CHP II, L.P.**  
**Statement of Cash Flows**  
**For the Period Ended June 30, 2006**

	Three Months Ended 06/30/06	Six Months Ended 06/30/06
<b>Cash flows from operating activities</b>		
Net Income Before Gains (Losses)	(\$662,911)	(\$1,245,979)
Adjustments to reconcile net income before gains (losses) to net cash used in operating activities:		
Accrued Interest Receivable	(3,672)	(3,962)
Accrued Organization Costs	0	0
Other Assets	(16,774)	7,867
Accrued Expenses & Payables	(37,283)	(21,112)
Net Cash used in Operating Activities	(720,640)	(1,263,186)
<b>Cash flows from investing activities</b>		
Purchases of venture capital investments	(3,000,000)	(12,145,979)
Sales of venture capital investments	0	816
Net cash used in investing activities	(3,000,000)	(12,145,118)
<b>Cash flows from financing activities</b>		
Cash contributions by partners	3,500,000	11,450,001
Cash distribution to partners	0	0
Net cash provided by financing activities	3,500,000	11,450,001
 Net Change in Cash and Short Term Investments	 (220,640)	 (1,958,303)
Cash and Short Term Investments, beginning	457,791	2,195,454
Cash and Short Term Investments, ending	\$237,151	\$237,151

**CHP II, L.P.**  
**Schedule of Venture Capital Investments**  
**As of June 30, 2006**

<b>Company</b>	<b>Debt</b>	<b>Equity</b>	<b>Total Cost</b>	<b>Fair Value</b>	<b>Unrealized Gain (Loss)</b>
AllianceCare, Inc.	\$0	\$5,401,130	\$5,401,130	\$5,401,130	\$0
AthenaHealth, Inc.	0	5,000,001	5,000,001	8,181,820	3,181,819
aTyr Pharma, Inc.	0	600,000	600,000	600,000	0
AxoGen, Inc.	0	3,250,000	3,250,000	3,250,000	0
Cardio-Optics, Inc.	0	6,169,002	6,169,002	10,190,042	4,021,040
CodeRyte, Inc.	0	4,425,982	4,425,982	4,425,982	0
MitralSolutions, Inc.	0	3,250,000	3,250,000	3,250,000	0
Momenta Pharmaceuticals, Inc.	0	2,948,504	2,948,504	6,060,586	3,112,082
Replication Medical	0	3,066,759	3,066,759	8,818,809	5,752,050
Rib-X Pharmaceuticals, Inc.	0	7,000,000	7,000,000	7,000,000	0
Sirtris Pharmaceuticals, Inc.	0	8,050,001	8,050,001	12,192,001	4,142,000
Totals	\$0	\$49,161,379	\$49,161,379	\$69,370,370	\$20,208,991

**CHP II, L.P.**  
**Statement of Partners' Contributions Accounts**  
**As of June 30, 2006**

	Partners' Total Subscription	Contribution Account 03/31/06	Period Contribution in Cash	Period Contribution by Note	Partner Transfer of Interest	Contribution Account 06/30/06	Partners' Outstanding Subscription
<u>Limited Partners</u>							
State Teachers Ret. System of Ohio	\$30,000,000	\$24,016,858	\$893,809	\$0	\$0	\$24,910,667	\$5,089,333
Nassau Capital Funds, L.P.	10,000,000	8,005,620	297,936	0	0	8,303,556	1,696,444
Robert Wood Johnson Foundation	10,000,000	8,005,620	297,936	0	0	8,303,556	1,696,444
Northwestern University	10,000,000	8,005,620	297,936	0	0	8,303,556	1,696,444
LACERA	10,000,000	8,005,620	297,936	0	0	8,303,556	1,696,444
Wachovia Investors (First Union)	7,500,000	6,004,214	223,452	0	0	6,227,666	1,272,334
AlpInvest US Secondary 2003	5,000,000	4,002,810	148,968	0	0	4,151,778	848,222
HarbourVest VII Limited	5,000,000	4,002,810	148,968	0	0	4,151,778	848,222
Pension Commissioners of City of LA	5,000,000	4,002,809	148,968	0	0	4,151,777	848,223
Princess Private Equity	5,000,000	4,002,809	148,968	0	0	4,151,777	848,223
Hillside Capital Incorporated	3,500,000	2,801,966	104,278	0	0	2,906,244	593,756
Hamilton Lane-Carpenters Fund	3,000,000	2,401,685	89,382	0	0	2,491,067	508,933
UNISYS Master Trust	3,000,000	2,401,685	89,382	0	0	2,491,067	508,933
Venture Investment Associates III, L.P.	2,300,000	1,841,291	68,526	0	0	1,909,817	390,183
Fleet Growth Resources (Summit)	2,000,000	1,601,123	59,587	0	0	1,660,710	339,290
S.R. One Limited	2,000,000	1,601,123	59,587	0	0	1,660,710	339,290
PharmaBio Development, Inc.	2,000,000	1,601,123	59,587	0	0	1,660,710	339,290
Private Equity Holdings II, Ltd.	1,000,000	800,562	29,794	0	0	830,356	169,644
<u>General Partner</u>							
	\$116,300,000	\$93,105,348	\$3,465,000	\$0	\$0	\$96,570,348	\$19,729,652
CHP II Management, LLC.	1,174,747	940,458	18,376	16,624	0	975,458	199,289
Total Partnership	\$117,474,747	\$94,045,806	\$3,483,376	\$16,624	\$0	\$97,545,806	\$19,928,941

**CHP II, L.P.**  
**Statement of Partners' Distributive Share of Net Assets**  
**For the Period Ended June 30, 2006**

	Public Securities	Private Securities	Cash	Other Assets	Total Assets	Accrued Expenses	Net Assets 06/30/06
<u>Limited Partners</u>							
State Teachers Ret. System of Ohio	\$1,289,922	\$13,474,714	\$50,475	\$150,418	\$14,965,529	(\$5,108)	\$14,960,421
Nassau Capital Funds, L.P.	429,973	4,491,563	16,825	50,139	4,988,500	(1,703)	4,986,797
Robert Wood Johnson Foundation	429,973	4,491,563	16,825	50,139	4,988,500	(1,703)	4,986,797
Northwestern University	429,973	4,491,563	16,825	50,139	4,988,500	(1,703)	4,986,797
LACERA	429,973	4,491,563	16,825	50,139	4,988,500	(1,703)	4,986,797
Wachovia Investors (First Union)	322,480	3,368,659	12,618	37,604	3,741,361	(1,278)	3,740,083
AlpInvest US Secondary Investments 2003	214,984	2,245,756	8,412	25,070	2,494,222	(850)	2,493,372
HarbourVest VII Limited	214,984	2,245,756	8,412	25,070	2,494,222	(850)	2,493,372
Pension Commissioners of City of LA	214,984	2,245,766	8,412	25,070	2,494,232	(850)	2,493,382
Princess Private Equity	214,984	2,245,766	8,412	25,070	2,494,232	(850)	2,493,382
Hillside Capital Incorporated	150,491	1,572,042	5,889	17,548	1,745,970	(597)	1,745,373
Hamilton Lane-Carpenters Fund	128,994	1,347,491	5,048	15,042	1,496,575	(511)	1,496,064
UNISYS Master Trust	128,994	1,347,491	5,048	15,042	1,496,575	(511)	1,496,064
Venture Investment Associates III, LP	98,895	1,033,073	3,870	11,532	1,147,370	(392)	1,146,978
Fleet Growth Resources, Inc.	85,996	898,322	3,365	10,028	997,711	(341)	997,370
S.R. One, Limited	85,996	898,322	3,365	10,028	997,711	(341)	997,370
PharmaBio Development, Inc.	85,996	898,322	3,365	10,028	997,711	(341)	997,370
Private Equity Holdings II, Ltd.	42,996	449,153	1,682	5,014	498,845	(170)	498,675
<u>General Partner</u>	\$5,000,588	\$52,236,885	\$195,673	\$583,120	\$58,016,266	(\$19,802)	\$57,996,464
CHP II Management, LLC.	1,059,998	11,072,899	41,478	123,607	12,297,982	(4,198)	12,293,784
Total Partnership	\$6,060,586	\$63,309,784	\$237,151	\$706,727	\$70,314,248	(\$24,000)	\$70,290,248

**CHP II, L.P.**  
**Statement of Partners' Capital Accounts \***  
**For the Three Months Ended June 30, 2006**

<u>Limited Partner</u>	Partners' Capital 04/01/06	Net Capital Contribution	Non-Portfolio Income	Net Investment Income	Realized Gains (Losses)	Total Income	Unrealized Gains (Losses)	Distributions	Partners' Capital 06/30/06
State Teachers Ret. System of Ohio	\$14,879,055	\$893,809	\$188	(\$135,582)	\$0	(\$135,394)	(\$677,049)	\$0	\$14,960,421
Nassau Capital Funds, L.P.	4,959,676	297,936	63	(45,195)	0	(45,132)	(225,683)	0	4,986,797
Robert Wood Johnson Foundation	4,959,676	297,936	63	(45,195)	0	(45,132)	(225,683)	0	4,986,797
Northwestern University	4,959,676	297,936	63	(45,195)	0	(45,132)	(225,683)	0	4,986,797
LACERA	4,959,676	297,936	63	(45,195)	0	(45,132)	(225,683)	0	4,986,797
Wachovia Investors (First Union)	3,719,742	223,452	46	(33,895)	0	(33,849)	(169,262)	0	3,740,083
AlpInvest US Secondary 2003	2,479,812	148,968	31	(22,597)	0	(22,566)	(112,842)	0	2,493,372
HarbourVest VII Limited	2,479,812	148,968	31	(22,597)	0	(22,566)	(112,842)	0	2,493,372
Pension Commissioners-City of LA	2,479,822	148,968	31	(22,597)	0	(22,566)	(112,842)	0	2,493,382
Princess Private Equity	2,479,822	148,968	31	(22,597)	0	(22,566)	(112,842)	0	2,493,382
Hillside Capital Incorporated	1,735,880	104,278	22	(15,818)	0	(15,796)	(78,989)	0	1,745,373
Hamilton Lane-Carpenters Fund	1,487,926	89,382	18	(13,557)	0	(13,539)	(67,705)	0	1,496,064
UNISYS Master Trust	1,487,926	89,382	18	(13,557)	0	(13,539)	(67,705)	0	1,496,064
Venture Investment Associates III	1,140,738	68,526	15	(10,394)	0	(10,379)	(51,907)	0	1,146,978
Fleet Growth Resources	991,946	59,587	13	(9,039)	0	(9,026)	(45,137)	0	997,370
S.R. One Limited	991,946	59,587	13	(9,039)	0	(9,026)	(45,137)	0	997,370
PharmaBio Development, Inc.	991,946	59,587	13	(9,039)	0	(9,026)	(45,137)	0	997,370
Private Equity Holdings II, Ltd.	495,962	29,794	6	(4,519)	0	(4,513)	(22,568)	0	498,675
General Partner	\$57,681,039	\$3,465,000	\$728	(\$525,607)	\$0	(\$524,879)	(\$2,624,696)	\$0	\$57,996,464
CHP II Management, LLC.	12,902,038	18,376	7	(138,039)	0	(138,032)	(689,314)	0	12,093,068
Total Partnership	\$70,583,077	\$3,483,376	\$735	(\$663,646)	\$0	(\$662,911)	(\$3,314,010)	\$0	\$70,089,532

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

**CHP II, L.P.**  
**Statement of Partners' Capital Accounts \***  
**For the Six Months Ended June 30, 2006**

<u>Limited Partner</u>	Partners' Capital 01/01/06	Net Capital Contribution	Non-Portfolio Income	Net Investment Income	Realized Gains (Losses)	Total Income	Unrealized Gains (Losses)	Distributions	Partners' Capital 06/30/06
State Teachers Ret. System of Ohio	\$20,093,614	\$2,924,033	\$3,986	(\$257,741)	\$5,289,950	\$5,036,195	(\$4,193,291)	(\$8,900,130)	\$14,960,421
Nassau Capital Funds, L.P.	6,697,844	974,678	1,329	(85,914)	1,763,317	1,678,732	(1,397,764)	(2,966,693)	4,986,797
Robert Wood Johnson Foundation	6,697,844	974,678	1,329	(85,914)	1,763,317	1,678,732	(1,397,764)	(2,966,693)	4,986,797
Northwestern University	6,697,844	974,678	1,329	(85,914)	1,763,317	1,678,732	(1,397,764)	(2,966,693)	4,986,797
LACERA	6,697,844	974,678	1,329	(85,914)	1,763,317	1,678,732	(1,397,764)	(2,966,693)	4,986,797
Wachovia Investors (First Union)	5,023,390	731,008	996	(64,435)	1,322,486	1,259,047	(1,048,323)	(2,225,039)	3,740,083
AlpInvest US Secondary 2003	3,348,922	487,339	664	(42,957)	881,658	839,365	(698,882)	(1,483,372)	2,493,372
HarbourVest VII Limited	3,348,922	487,339	664	(42,957)	881,658	839,365	(698,882)	(1,483,372)	2,493,372
Pension Commissioners-City of LA	3,348,933	487,338	664	(42,957)	881,658	839,365	(698,882)	(1,483,372)	2,493,382
Princess Private Equity	3,348,933	487,338	664	(42,957)	881,658	839,365	(698,882)	(1,483,372)	2,493,382
Hillside Capital Incorporated	2,344,251	341,138	465	(30,070)	617,161	587,556	(489,217)	(1,038,355)	1,745,373
Hamilton Lane-Carpenters Fund	2,009,366	292,404	398	(25,773)	528,995	503,620	(419,330)	(889,996)	1,496,064
UNISYS Master Trust	2,009,366	292,404	398	(25,773)	528,995	503,620	(419,330)	(889,996)	1,496,064
Venture Investment Associates III	1,540,522	224,175	306	(19,760)	405,563	386,109	(321,486)	(682,342)	1,146,978
Fleet Growth Resources	1,339,568	194,935	266	(17,183)	352,663	335,476	(279,553)	(593,326)	997,370
S.R. One Limited	1,339,568	194,935	266	(17,183)	352,663	335,476	(279,553)	(593,326)	997,370
PharmaBio Development, Inc.	1,339,568	194,935	266	(17,183)	352,663	335,476	(279,553)	(593,326)	997,370
Private Equity Holdings II, Ltd.	669,797	97,468	133	(8,591)	176,332	167,874	(139,776)	(296,688)	498,675
General Partner	\$77,896,096	\$11,335,501	\$15,452	(\$999,176)	\$20,507,371	\$19,523,647	(\$16,255,996)	(\$34,502,784)	\$57,996,464
CHP II Management, LLC.	11,464,798	122,517	156	(262,411)	5,385,777	5,123,522	(4,269,251)	(348,518)	12,093,068
Total Partnership	\$89,360,894	\$11,458,018	\$15,608	(\$1,261,587)	\$25,893,148	\$24,647,169	(\$20,525,247)	(\$34,851,302)	\$70,089,532

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

**CHP II, L.P.**  
**Statement of Partners' Accounts**  
**For the Period from April 25, 2000 to June 30, 2006**

	Partners' Contribution Account	Non-Portfolio Income	Net Investment Income	Realized Gains (Losses)	Total Income	Unrealized Gains (Losses)	Distributions	Partners' Interest Transfer	Partners' Account
<u>Limited Partners</u>									
State Teachers Ret. System of Ohio	\$24,910,667	\$26,964	(\$4,175,964)	\$12,006,913	\$7,857,913	\$4,128,682	(\$21,936,841)	\$0	\$14,960,421
Nassau Capital Funds, L.P.	8,303,556	8,990	(1,391,989)	4,002,305	2,619,306	1,376,227	(7,312,292)	0	4,986,797
Robert Wood Johnson Foundation	8,303,556	8,990	(1,391,989)	4,002,305	2,619,306	1,376,227	(7,312,292)	0	4,986,797
Northwestern University	8,303,556	8,990	(1,391,989)	4,002,305	2,619,306	1,376,227	(7,312,292)	0	4,986,797
LACERA	8,303,556	8,990	(1,391,989)	4,002,305	2,619,306	1,376,227	(7,312,292)	0	4,986,797
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)	6,227,666	6,742	(1,043,991)	3,001,726	1,964,477	1,032,170	(5,484,230)	0	3,740,083
AlpInvest US Secondary 2003	4,151,778	664	(42,957)	881,658	839,365	(698,882)	(1,483,372)	(315,517)	2,493,372
HarbourVest VII Limited	4,151,778	664	(42,957)	881,658	839,365	(698,882)	(1,483,372)	(315,517)	2,493,372
Pension Commissioners of City of LA	4,151,777	4,494	(695,996)	2,001,149	1,309,647	688,115	(3,656,157)	0	2,493,382
Princess Private Equity	4,151,777	4,494	(695,996)	2,001,149	1,309,647	688,115	(3,656,157)	0	2,493,382
Hillside Capital Incorporated	2,906,244	3,145	(487,196)	1,400,806	916,755	481,681	(2,559,307)	0	1,745,373
Hamilton Lane-Carpenters Fund	2,491,067	2,696	(417,596)	1,200,691	785,791	412,867	(2,193,661)	0	1,496,064
UNISYS Master Trust	2,491,067	2,696	(417,596)	1,200,691	785,791	412,867	(2,193,661)	0	1,496,064
Venture Investment Associates III	1,909,817	2,068	(320,158)	920,530	602,440	316,532	(1,681,811)	0	1,146,978
Fleet Growth Resources (Summit)	1,660,710	1,798	(278,397)	800,460	523,861	275,245	(1,462,446)	0	997,370
S.R. One Limited	1,660,710	1,798	(278,397)	800,460	523,861	275,245	(1,462,446)	0	997,370
PharmaBio Development, Inc.	1,660,710	1,798	(278,397)	800,460	523,861	275,245	(1,462,446)	0	997,370
Private Equity Holdings II, Ltd.	830,356	899	(139,199)	400,231	261,931	137,622	(731,234)	0	498,675
<u>General Partner</u>									
CHP II Management, LLC.	975,458	1,057	(777,655)	8,750,453	7,973,855	4,203,470	(858,999)	0	\$12,293,784
Total Partnership	\$97,545,806	\$105,598	(\$16,966,483)	\$55,297,243	\$38,436,358	\$20,208,991	(\$85,900,907)	\$0	\$70,290,248



**CHP II, L.P.**  
**Comprehensive Fund Investment Summary**  
**For the Period from April 25, 2000 to June 30, 2006**

Portfolio Company	Investment Cost	GAAP Fair Value	Unrealized Gain (Loss)	Realized Value	Realized Gain (Loss)	Cumulative Investment Return
<b><u>Public Company Securities</u></b>						
Momenta Pharmaceuticals, Inc.	\$6,823,506	\$6,060,586	\$3,112,082	\$48,449,605	\$44,574,603	\$47,686,685
<b><u>Private Company Investments</u></b>						
AllianceCare, Inc.	5,401,130	5,401,130	0	0	0	0
AthenaHealth, Inc.	5,000,001	8,181,820	3,181,819	0	0	3,181,819
aTyr Pharma, Inc.	600,000	600,000	0	0	0	0
AxoGen, Inc.	3,250,000	3,250,000	0	0	0	0
Cardio-Optics, inc.	6,169,002	10,190,042	4,021,040	0	0	4,021,040
CodeRyte, Inc.	4,425,982	4,425,982	0	0	0	0
MitralSolutions, Inc.	3,250,000	3,250,000	0	0	0	0
Replication Medical, Inc.	3,066,759	8,818,809	5,752,050	0	0	5,752,050
Rib-X Pharmaceuticals, Inc.	7,000,000	7,000,000	0	0	0	0
SirTris Pharmaceuticals, Inc.	8,050,001	12,192,001	4,142,000	0	0	4,142,000
<b><u>Fully Disposed Investments</u></b>						
Alnylam Pharmaceuticals, Inc.	8,959,015	0	0	34,851,302	25,892,287	25,892,287
Intellicare America	4,000,000	0	0	3,155,344	(844,656)	(844,656)
IPhysicianNet, Inc.	5,757,897	0	0	0	(5,757,897)	(5,757,897)
Molecular Mining Corporation	1,509,060	0	0	107,664	(1,401,396)	(1,401,396)
ParkStone Medical Information	7,575,278	0	0	409,580	(7,165,698)	(7,165,698)
Investment Portfolio Totals	\$80,837,631	\$69,370,370	\$20,208,991	\$86,973,495	\$55,297,243	\$75,506,234

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TO: The Limited Partners of CHP II, L.P.

FROM: John J. Park

DATE: July 10, 2006

SUBJECT: Portfolio Valuations for June 30, 2006

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Investment securities held by CHP II, L.P. (the “Partnership”) have been valued in accordance with the Standard Valuation Policy of the Partnership. In accordance with the Policy, we propose to value restricted securities at cost, until subsequent events of a significant nature indicate the need for a change. Public securities are valued at market unless they are subject to trading restrictions. The valuation of public securities that are restricted are discounted appropriately until the securities may be freely traded. This memorandum delineates the portfolio valuation calculations as proposed by the General Partner for those investments not valued at cost as of June 30, 2006.

**ATHENAHEALTH** – On April 8, 2004, AthenaHealth completed a \$7.5 million Series E Preferred stock financing priced at \$5.04 per share and valuing the Company at \$142 million pre-money. A new investor, Granite Global Ventures, led this financing. CHP II was not a participant in the financing. We propose to value our investment at the Series E price of \$5.04, resulting in an investment valuation of \$8,181,820, with a corresponding unrealized gain of \$3,181,819 on our cost basis of \$5,000,001 as of June 30, 2006. This valuation represents no change from the valuation for AthenaHealth as of March 31, 2006.

Value Computation:

$$\begin{array}{rcl} \text{Series D Convertible Preferred Stock} & & \\ 1,623,377 \text{ shares} \times \$5.04 & = & \underline{\underline{\$8,181,820}} \end{array}$$

**CHP II, L.P.****Portfolio Valuations as of June 30, 2006****Page 2 of 4**

**CARDIO-OPTICS** – On October 20, 2005, CardioOptics held an initial closing of \$21.5 million on a Series B preferred financing round that totaled \$28 million. The Series B preferred was priced at \$3.296 per share, placing a \$27.5 million pre-money value on the financing. The round was led by new investor Novo A/S and also included new investors, The Hillman Company and Investor Growth Capital. Cardinal invested a total of \$3,801,372 in the round, including the conversion of \$1,578,722 in promissory notes plus accrued interest and \$633,649 in accrued accumulating dividends on Cardinal's Series A preferred holdings. We propose to value the CardioOptics investment on the basis of the Series B financing round at \$3.296 per share. This results in a total carrying value for the investment of \$10,190,042, with a corresponding unrealized gain of \$4,021,040 on our cost basis of \$6,169,002 as of June 30, 2006. This valuation represents no change from the valuation for Cardio Optics as of March 31, 2006.

**Value Computation:**

Series A Convertible Preferred Stock		
1,938,310 shares x \$3.296	=	\$ 6,388,670
Series B Convertible Preferred Stock		
1,153,329 shares x \$3.296	=	<u>3,801,372</u>
Total Value		<u>\$10,190,042</u>

**INTELLICARE** – On November 2, 2005, IntelliCare was acquired by PolyMedica Corporation in a \$20 million cash transaction, with 10% of the gross proceeds placed in escrow for one year. Cardinal received a total of \$2,655,344 in cash, plus \$774,892 in escrow. We propose to value the \$775K in cash held in escrow at \$500,000 representing a conservative accounting for the amount expected to be ultimately received by CHP II. Accordingly, we have recorded \$500K as net cash in escrow on the balance sheet, recorded a net realized loss of \$844,656, and reversed a previously unrealized loss of \$1,535,415. The net valuation for the cash held in escrow represents no change from the valuation for the IntelliCare escrow as of March 31, 2006.

**Value Computation:**

Net Cash in Escrow (\$774,892 - \$274,892)	<u>\$ 500,000</u>
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**CHP II, L.P.****Portfolio Valuations as of June 30, 2006****Page 3 of 4**

**MOMENTA PHARMACEUTICALS** – On June 21, 2004, Momenta (NASDAQ:MNTA) completed an initial public offering of its securities priced at \$6.50 per share. Concurrently, all of the CHP II preferred stock holdings were converted into 2,101,286 shares of Momenta common stock, with a combined cost basis of \$6,375,006. In addition, CHP II purchased 69,000 shares of Momenta common stock in the IPO, at a total cost of \$448,500.

On July 19, 2005, CHP II distributed 1,693,450 shares of Momenta at \$28.61 per share for a total distributed value of \$48,449,605, resulting in a realized gain of \$44,574,602. As a result of this distribution, the investment cost basis for Momenta was reduced by \$3,875,002 and Cardinal's share holdings were reduced to 476,836 of Momenta common.

As of June 30, 2006, CHP II continues to hold 476,836 shares of Momenta common stock. None of these shares are subject to any trading restrictions. We therefore propose to value these shares at the closing market price on June 30, 2006 of \$12.71 per share. This results in a total valuation of \$6,060,586 with a corresponding unrealized gain of \$3,112,082 on our remaining cost basis of \$2,948,504 as of June 30, 2006. This valuation represents a decrease of \$3,314,010 from the valuation for Momenta as of March 31, 2006.

**Value Computation:**

$$\begin{array}{rcl} \text{Common Stock} & & \\ 476,836 \text{ shares} \times \$12.71 & = & \underline{\$6,060,586} \end{array}$$

**REPLICATION MEDICAL** – On July 21, 2005, Abbott Laboratories invested \$12 million at \$5.00 per share in the form of a Series D preferred stock. As this investment was strategic in nature, we propose to value our holdings in Replication, in accordance with the Standard Valuation Policy of CHP II, at the midpoint between our previous investment carrying value per share (investment cost) and the Series D price of \$5.00. This results in a carrying value for the Replication investment of \$2.9781 for each share of Series B preferred (midpoint between \$0.9562 and \$5.00), and \$3.45 per share for each share of Series C preferred (midpoint between \$1.90 and \$5.00). Accordingly, the total carrying value for the Replication investment is \$8,818,809, with a corresponding unrealized gain of \$5,752,050 on our cost basis of \$3,066,759 as of June 30, 2006. This valuation represents no change from the valuation for Replication as of March 31, 2006.

**Value Computation:**

$$\begin{array}{rcl} \text{Series B Convertible Preferred Stock} & & \\ 2,614,516 \text{ shares} \times \$2.9781 & = & \$7,786,290 \\ \text{Series C Convertible Preferred Stock} & & \\ 299,281 \text{ shares} \times \$3.45 & = & \underline{1,032,519} \\ \text{Total Value} & & \underline{\underline{\$8,818,809}} \end{array}$$

**CHP II, L.P.****Portfolio Valuations as of June 30, 2006****Page 4 of 4**

**SIRTRIS PHARMACEUTICALS** – On March 14, 2006, Sirtris completed a \$22 million Series C Preferred stock financing priced at \$1.12 per share and valuing the Company at \$95 million pre-money. New investor Bessemer Ventures led this financing, with CHP II investing \$2.0 million. We propose to value our investment at the Series C price of \$1.12, resulting in a total value of \$7,280,000, with a corresponding unrealized gain of \$4,142,000 on our cost basis of \$8,050,001 as of June 30, 2006. This valuation represents no change from the valuation for Sirtris as of March 31, 2006.

Value Computation:

Series A Convertible Preferred Stock		
1,600,000 shares x \$1.12	=	\$ 1,792,000
Series A-1 Convertible Preferred Stock		
3,750,000 shares x \$1.12	=	4,200,000
Series B Convertible Preferred Stock		
3,750,000 shares x \$1.12	=	4,200,000
Series C Convertible Preferred Stock		
1,785,715 shares x \$1.12	=	<u>2,000,001</u>
Total Value		<u>\$12,192,001</u>

**CHP II, L.P.**  
**Portfolio Investment Valuation Summary**  
**For the Quarter ended June 30, 2006**

<u>Portfolio Company</u>	<u>Investment</u>	<u>Fair Value 06/30/06</u>	<u>Fair Value 03/31/06</u>	<u>Change from Prior Quarter</u>	<u>Reason for Change</u>
AllianceCare, Inc.	\$5,401,130	\$5,401,130	\$5,401,130	\$0	
AthenaHealth, Inc.	\$5,000,001	\$8,181,820	\$8,181,820	\$0	
aTyr Pharma, Inc.	\$600,000	\$600,000	\$600,000	\$0	
AxoGen, Inc.	\$3,250,000	\$3,250,000	\$3,250,000	\$0	
CardioOptics, Inc.	\$6,169,002	\$10,190,042	\$10,190,042	\$0	
CodeRyte, Inc.	\$4,425,982	\$4,425,982	\$4,425,982	\$0	
Intellicare America, Inc.	\$774,892	\$500,000	\$500,000	\$0	
Mitral Solutions, Inc.	\$3,250,000	\$3,250,000	\$3,250,000	\$0	
Momenta Pharmaceuticals	\$2,948,504	\$6,060,586	\$9,374,596	(\$3,314,010)	Market Price Decrease. (note 1)
Replication Medical	\$3,066,759	\$8,818,809	\$8,818,809	\$0	
Rib-X Pharmaceuticals	\$7,000,000	\$7,000,000	\$4,000,000	\$3,000,000	Follow-on Investment. (note 2)
Sirtris Pharmaceuticals	\$8,050,001	\$12,192,001	\$12,192,001	\$0	
Total Portfolio	\$49,936,271	\$69,870,370	\$70,184,380	(\$314,010)	

1. CHP II currently holds 476,836 shares of Momenta common stock. As all of these shares are freely tradable and the proposed value is therefore based on the closing market price for Momenta (NASDAQ: MNTA) as of March 31, 2006 of \$12.71 per share. The valuation decrease reflects the change from the closing price as of March 31, 2006 of \$19.66 per share.
2. On June 8, 2006, CHP II contributed \$3 million to the \$50 million third round financing for Rib-X Pharmaceuticals, Inc. The financing was led by the current investor syndicate and included two new investors, Radius Venture Partners and Medimmune Ventures. The pricing for the round was identical to the Series B round producing a pre-money valuation of \$89.5 million.

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

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

Period Summary: 2nd Quarter, 2006

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Overall financial performance for Q2 2006 was disappointing. Revenues for the period were flat as compared to Q1 at \$19.4 million, and well below forecast. Gross margins improved 100 basis points to 38.5%, but were also well below expectations as expected improvements from implementation of a performance pay model last quarter. Changes to the pay model have been initiated and the expected benefits from these changes of \$350K to \$450K per month improvement in direct labor expenses should be fully realized in September. EBITDA declined \$350K relative to Q1 due primarily to staff reductions undertaken during the period. The company will now likely require a bridge financing by the end of next quarter. Management and the investor syndicate are evaluating the strategic options for the company including: a sale to a financial buyer or vertical integrators; complete a financing and operating the business focusing on growth, improving margins and decreasing G&A as a % of revenue; or merger with a strategic partner in the home healthcare sector.

Management's reforecast based on year-to-date actual results shows revenues of \$76 million producing EBITDA of -\$1.9 million. Management now forecasts the company will not be EBITDA positive until September. Monthly cash burn for the first six months of 2006 has averaged \$370K. Capital resources are very tight and the company will likely require a cash infusion of \$2-\$4 million to operate for the remainder of 2006. The HFG credit facility has current availability of \$1.5 million that will act as a buffer for short-term cash flow requirements.

Management currently believes the company is at least 24 months away from being ready for an initial public offering. The focus for the remainder 2006 will be on revenue growth initiatives in existing markets, margin improvement, improving the reliability of cash flow forecasting, and reducing field G&A (now 26.1%) below 25% of revenue. It is likely the current investor syndicate will need to bridge the company sometime next quarter as strategic options are evaluated.

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

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

Overview: (FYE 12/31)

	<i>2002 Actual</i>	<i>2003 Actual</i>	<i>2004 Actual</i>	<i>2005 Actual</i>	<i>2006 Budget</i>
Revenues	30,440	33,583	41,820	74,459	103,417
Direct Expenses	15,872	17,013	22,808	43,725	56,721
SG&A	19,011	23,287	21,748	33,795	42,225
EBIT	-4,443	-6,717	-2,736	-3,061	4,471
Other Inc. & Exp.	-1,263	-125	-87	-2,188	+476
<b>Net Income</b>	<b>-5,706</b>	<b>-6,842</b>	<b>-2,823</b>	<b>-5,249</b>	<b>4,947</b>
<b>EBITDA</b>	<b>-3,966</b>	<b>-6,174</b>	<b>-2,230</b>	<b>-2,130</b>	<b>+5,471</b>

Last Three Months: Quarter Ended June 30, 2006

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	19,433	24,590	-5,157
Direct Expenses	11,954	13,453	+1,499
SG&A	8,963	10,271	+1,308
EBIT	-1,484	866	-2,350
Interest, Taxes & Other	-747	-490	-257
<b>Net Income</b>	<b>-2,231</b>	<b>376</b>	<b>-2,607</b>
<b>EBITDA</b>	<b>-1,139</b>	<b>+1,140</b>	<b>-2,279</b>

Fiscal Year-to-Date: Six Months Ended June 30, 2006

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	39,093	47,058	-7,965
Direct Expenses	24,265	25,710	+1,445
SG&A	17,381	19,581	+2,200
EBIT	-2,553	1,767	-4,320
Interest, Taxes & Other	-1,457	-1,114	-343
<b>Net Income</b>	<b>-4,010</b>	<b>653</b>	<b>-4,663</b>
<b>EBITDA</b>	<b>-1,921</b>	<b>+2,417</b>	<b>-4,338</b>



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

**Summary Balance Sheet as of June 30, 2006: (\$000)**

Cash	\$ 662	Accounts Payable	\$ 4,239
Accounts Receivable	14,503	Accrued Expenses	6,356
Other Current Assets	<u>861</u>	Other Current Liabilities	<u>7,764</u>
Total Current Assets	16,026	Total Current Liabilities	18,359
Net PP&E	1,971	Debt and Other Liabilities	17,381
Acquired Goodwill (Net)	27,993	Shareholders Equity	46,494
Other Assets	<u>1,475</u>	Retained Earnings	<u>-34,769</u>
Total Assets	<u>\$47,465</u>	Total Liabilities & Equity	<u>\$47,465</u>

**Comments:**

Operating cash burn for the quarter accelerated to \$450K per month. The company is behind its cash flow budget by \$1 million and will likely need a cash infusion next quarter to cover its current operating cash requirements.

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

Series B Convertible Preferred Stock	400,000 shares
Assigned Fair Value	Investment Cost
Investment Cost	\$4,000,000
Cost per Share	\$10.00
Series C Convertible Preferred Stock	140,113 shares
Assigned Fair Value	Investment Cost
Investment Cost	\$1,401,130
Cost per Share	\$10.00
Warrants for Series C Convertible Preferred Stock	42,033 shares
Exercise Price Per Share	\$10.00
% Ownership (Full Dilution)	8.3%
Company Valuation at CHP II Cost	\$65.2 million
Company Valuation at Assigned Fair Value	\$65.2 million

**Outlook:**

The AllianceCare team needs to demonstrate the ability to produce financial performance improvement. Without short term improvement, we are guarded about the prospects for the company.

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

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

Period Summary: 2nd Quarter, 2006

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New contract bookings and revenue growth were strong in Q2 and Athena is poised to turn the corner to profitability during the second half of 2006. The company reached the mid-year mark ahead of both its revenue and income forecasts, however lower new contract bookings than expected, primarily from Q1, will have an impact on budgeted financial performance for the year. Management's reforecast for 2006, reflecting the impact of the missed sales target for 1H 2006, shows revenues of \$77.2 million or \$2 million lower than plan. EBITDA will also be unfavorably impacted as a result of additional spending on sales and marketing, operational infrastructure improvements, and spending in preparation for a potential initial public offering. EBITDA is now forecast to be \$4.4 million for the year, with the company remaining on target to turn solidly profitable in Q4 2006. The annualized revenue run rate at the end of June was \$77.3 million on a contract base of \$87 million.

Revenues for the quarter were \$18.5 million, 11% higher than the previous quarter and 1.3% over budget. Gross profits increased 7.8% over Q1 to \$8.7 million, while margins declined slightly driven by the timing of operations spending and the ramp up of costs related to a new business segment ahead of any corresponding revenue. EBITDA went from a negative result in Q1 2006 to a positive \$738K, which was slightly below forecast for the period. The primary cause for missing forecast was a recharacterization of \$170K per month from capitalized costs to product development expenses, due to an accounting change adopted during the period. Despite this result, the company remains well ahead of its EBITDA budget for the year. Net income improved by \$628K as compared to the prior quarter and is now \$802K ahead of plan for the year. Total cash at the end of the quarter was \$11.4 million, almost \$500K ahead of plan.

Athena has more than adequate capital resources to be financially self-sustaining until a liquidity event for the investors. During the quarter, management continued its discussions with leading investment bankers and has concluded that the company should begin preparations for a potential initial public offering. Over the next two quarters, the company will gear up its preparations with the goal of being prepared to file for its IPO as early as year-end 2006. We continue to view Athena as a very attractive candidate for a successful liquidity event in the next 12-18 months.

**ATHENAHEALTH, INC. (cont.)**

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

Overview: (FYE 12/31)

	<i>2002 Actual</i>	<i>2003 Actual</i>	<i>2004 Actual</i>	<i>2005 Actual</i>	<i>2006 Budget</i>
Revenues	11,985	24,666	38,938	53,540	79,248
Direct Expenses	10,137	16,148	20,512	27,751	39,973
SG&A	8,860	10,501	17,655	29,944	32,429
EBITDA	-7,012	-1,983	771	-4,155	6,846
Depreciation	-2,493	-2,894	-3,159	-5,483	-6,094
Interest and Taxes	-55	-475	-1,222	-1,755	-3,061
<b>Net Income</b>	<b>-9,560</b>	<b>-5,352</b>	<b>-3,610</b>	<b>-11,393</b>	<b>-2,309</b>

Last Three Months: Quarter Ended June 30, 2006

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	18,547	18,302	+245
Direct Expenses	9,895	9,617	-278
SG&A	7,904	7,898	-6
EBITDA	+748	+787	-39
Depreciation	-1,512	-1,517	+5
Interest and Taxes	-625	-753	+128
<b>Net Income</b>	<b>-1,389</b>	<b>-1,483</b>	<b>+94</b>

Fiscal Year-to-Date: Six Months Ended June 30, 2006

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	35,314	35,224	+90
Direct Expenses	18,633	18,587	-46
SG&A	15,984	16,480	+496
EBITDA	+697	+157	+540
Depreciation	-2,952	-2,982	+30
Interest and Taxes	-1,204	-1,437	+233
<b>Net Income</b>	<b>-3,459</b>	<b>-4,262</b>	<b>+803</b>

**ATHENAHEALTH, INC. (cont.)**

**Summary Balance Sheet as of June 30, 2006: (\$000)**

Cash	\$ 11,389	A/P and Accrued Expenses	\$ 4,875
Accounts Receivable	8,925	Deferred Revenue	3,165
Other Current Assets	<u>1,811</u>	Current Portion of Debt	<u>9,311</u>
Total Current Assets	22,125	Total Current Liabilities	18,597
Net PP&E	14,259	Long Term Liabilities	27,519
Intangibles (Net)	2,005	Shareholders Equity	51,778
Other Assets	<u>190</u>	Retained Earnings	<u>-59,315</u>
Total Assets	<u>\$38,579</u>	Total Liabilities & Equity	<u>\$38,579</u>

**Comments:**

Athena is \$495K ahead of cash forecast for the year. The company continues to invest heavily in infrastructure to support future growth and in preparation for a potential IPO. Spending that was not in the original budget for 2006 will be funded by an expansion to the current sub-debt facility. Management expects to be operationally cash flow positive beginning in Q3 2006.

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

Series D Convertible Preferred Stock	1,623,377 shares
Assigned Fair Value (\$5.04 x 1,623,377)	\$8,181,820
Investment Cost	\$5,000,001
Cost per Share	\$3.08

% Ownership (Full Dilution) 5.4%

Company Valuation at CHP II Cost	\$92.6 million
Company Valuation at Assigned Fair Value	\$150.0 million

**Outlook:**

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

**ATYR PHARMA, INC.**  
**Princeton, NJ**

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

Period Summary: 2nd Quarter, 2006

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Atyr Pharma made significant progress during the quarter. The company completed the first of two exclusive license agreements that will solidify its intellectual property position in the wound healing and cosmeceutical areas. The second license is in later stage negotiations and should be completed next quarter. Proof of concept pre-clinical studies performed in *in vivo* models have produced encouraging results supporting the potential of the technology in wound management and vascular therapy. Management has begun looking at potential office and laboratory space for an expansion of in-house research and development activities. Finally, as the quarter came to a close, the company agreed in principal to terms for a \$10 million first round financing to support expanded operations.

During the quarter, company management focused on expanding the operations of aTyr Pharma, which is currently developing lead biologics in a virtual mode, to include a research and discovery operation with laboratory and office space. With the expanded capability, aTyr would create a platform technology around all the components of the multisynthetase complex to discover new biological fragments with cellular signaling functions and develop them into therapeutics. Management is currently evaluating office space in southern CA that could support about 10-15 full time employees.

The September 2005 \$739K seed financing is anticipated to support operations through most of 2006. Cash burn for the year has averaged \$60K per month, but that is expected to ramp to almost \$100K by the end of next quarter. We recently agreed in principal to terms for a \$10 million first round financing with two well known venture capital firms and expect complete the transaction in late September.

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

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

Overview: (FYE 12/31)

	<i>2005 Actual*</i>	<i>2006 Budget</i>
Revenues	0	0
R&D Expenses	30	476
SG&A	88	184
EBIT	-48	-660
Interest and Taxes	+5	+6
<b>Net Income</b>	<b>-113</b>	<b>-654</b>

\* - Subject to Audit

Last Three Months: Quarter Ended June 30, 2006

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	0	0	0
R&D Expenses	54	73	+19
SG&A	70	40	-30
EBIT	-124	-113	-11
Interest and Taxes	+2	+1	+1
<b>Net Income</b>	<b>-122</b>	<b>-112</b>	<b>-10</b>

Fiscal Year-to-Date: Six Months Ended June 30, 2006

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	0	0	0
R&D Expenses	112	221	+109
SG&A	126	97	-29
EBIT	-238	-318	+80
Interest and Taxes	+5	+4	+1
<b>Net Income</b>	<b>-233</b>	<b>-314</b>	<b>+81</b>

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

**Summary Balance Sheet as of June 30, 2006: (\$000)**

Cash	\$ 407	A/P and Accrued Expenses	\$ 29
Accounts Receivable	0	Deferred Revenue	0
Other Current Assets	<u>34</u>	Current Portion of Debt	<u>0</u>
Total Current Assets	441	Total Current Liabilities	29
Net PP&E	3	Long Term Liabilities	0
Intangibles (Net)	0	Shareholders Equity	741
Other Assets	<u>0</u>	Retained Earnings	<u>-326</u>
Total Assets	<u>\$ 444</u>	Total Liabilities & Equity	<u>\$ 444</u>

Comments:

The \$739K seed financing completed in September 2005 is forecast to last through most of 2006. Discussions with potential first round investors have begun and we anticipate completion of a financing round by the end of Q3 2006.

CHP II, L.P. Holdings:

Series A Convertible Preferred Stock	800,000 shares
Assigned Fair Value	Investment Cost
Investment Cost	\$600,000
Cost per Share	\$0.80
% Ownership (Full Dilution)	40.0%
Company Valuation at CHP II Cost	\$1.5 million
Company Valuation at Assigned Fair Value	\$1.5 million

Outlook:

We are very enthusiastic about the prospects of our investment in aTyr Pharma. aTyr is focused on an emerging technology with many Potential therapeutic and cosmetic targets. The technology will also require a relatively small investment to validate its initial targets.

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

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

Period Summary: 2nd Quarter, 2006

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AxoGen is an early stage medical technology company developing and commercializing an allograph medical device that regenerates peripheral nerves, restoring function and sensory. The AxoGen products will allow surgeons to repair peripheral nerve damage much more successfully and effectively than current nerve graft techniques. After closing its first round financing in March, the company began gearing up product development for its lead Advance™ peripheral nerve graft product. A manufacturing facility has been chosen and is on track to be operational by the end of summer. The company has also initiated its validation, testing and commercialization/regulatory programs towards a target launch of mid-2007 for the Advance™ product. Finally, the company is in negotiation with a leading medical device company towards a marketing and distribution partnership.

The \$7.75 first round financing led by Cardinal in March 2006 is expected to support operations well into 2008. Monthly cash burn is expected to ramp from \$250K currently to almost \$500K by the end of 2006. We forecast the company will initiate a second round of financing at the end of 2007, based on initial sales of its lead product as well as initiating human clinical testing for its second product. Cardinal has reserved \$3 million for future financings at AxoGen and expects that our ownership position would be diluted to ~ 20% on a fully diluted basis.

There are several large medical technology companies that would find AxoGen an attractive acquisition target: BioMet, J&J, St. Jude and Stryker among them. We forecast that investor liquidity can be obtained at an attractive valuation through acquisition in 2008-2009 based upon the successful clinical use and/or FDA approval of the second stage product. We are very excited about the prospect for our investment in AxoGen.



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

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

Overview: (FYE 12/31)

	<i>2005 Actual</i>	<i>2006 Budget</i>
Revenues	83	0
R&D Expenses	36	1,728
SG&A	163	1,944
EBIT	-116	-3,672
Interest and Taxes	0	+586
<b>Net Income</b>	-116	-3,086

Last Three Months: Quarter Ended June 30, 2006

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	0	0	0
R&D Expenses	40	249	+209
SG&A	347	295	-52
EBIT	-387	-544	+157
Interest and Taxes	97	100	-3
<b>Net Income</b>	-290	-444	+154

Fiscal Year-to-Date: Six Months Ended June 30, 2006

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	0	0	0
R&D Expenses	44	316	+272
SG&A	517	649	+132
EBIT	-561	-965	+404
Interest and Taxes	101	100	+1
<b>Net Income</b>	-460	-865	+405

**AXOGEN, INC. (cont.)****Summary Balance Sheet as of June 30, 2006: (\$000)**

Cash	\$ 6,994	Accounts Payable	\$ 35
Accounts Receivable	0	Accrued Expenses	26
Other Current Assets	<u>7</u>	Current Portion of Debt	<u>0</u>
Total Current Assets	7,001	Total Current Liabilities	61
Net PP&E	36	Long Term Liabilities	115
Intangibles (Net)	394	Shareholders Equity	8,819
Other Assets	<u>1</u>	Retained Earnings	<u>-1,563</u>
Total Assets	<u>\$ 7,432</u>	Total Liabilities & Equity	<u>\$ 7,432</u>

**Comments:**

Monthly cash burn at AxoGen is currently \$250K. This is expected to increase to \$450K in Q4 2006. The \$7.75 million financing completed in March 2006 is forecast to last into 2008.

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

Series A Convertible Preferred Stock	7,065,217 shares
Assigned Fair Value	Investment Cost
Investment Cost	\$3,250,000
Cost per Share	\$0.46
% Ownership (Full Dilution)	22.1%
Company Valuation at CHP II Cost	\$14.6 million
Company Valuation at Assigned Fair Value	\$14.6 million

**Outlook:**

We are very enthusiastic about the prospects of our investment in AxoGen.

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

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

Period Summary: 2nd Quarter, 2006

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Cardio-Optics had another successful quarter of progress ending in June. Sales of the CSA™ system are tracking ahead of plan although gross margins were down due to manufacturing inefficiencies. The CSA™ system was utilized in 34 clinical procedures during the quarter, with improving image stability. Financial results were ahead of plan, with the company slightly behind on its cash forecast due to payables timing. Good progress was made on the development of the TE Catheter Ablation product and the company remains on plan to submit an Investigational Device Exemption application (“IDE”) with the FDA in 2006.

During the quarter, the CSA™ system was utilized in 34 procedures in seven hospitals, representing a 2.6% procedure penetration over the past three months. Image stabilization has improved steadily, with the surgeon able to locate the coronary sinus os readily. The company continues to work with Cleveland Clinic physicians before, during and after each clinical use to define parameters and potential techniques to improve image stability. This is the highest priority program at the company and has resources assigned as needed to obtain the best field performance for both the CSA™ and TE system.

On the intellectual property front, Cardio-Optics filed a provisional patent for an RF ablation catheter that provides improved visualization out the side of the catheter. The company is also preparing multiple new provisional patent applications to be filed this summer that target the EP and interventional cardiology markets. In addition, the company is pursuing a license to novel catheter technology from a leading researcher at Johns Hopkins University that has the potential to significantly expand product penetration into the AF catheter ablation market.

Company management currently forecasts the filing of an IDE for its second product, the TE Catheter Ablation Product, at the end of Q3 2006, with the goal of attaining IDE approval by early 2007. Ablation testing on the bench is in progress and confirmatory animal testing is scheduled. Identification of key investigating physicians and institutions is underway for presentation to the FDA at a pre-IDE meeting anticipated for late August/early September.

The key milestones for the company for 2006 continue to be: building the infrastructure to support the marketing and sales of the CSA™ System; improving the intellectual property portfolio; and attaining IDE approval for the TE Catheter Ablation System. Given the size of the October 2005 Series B financing, we anticipate the company will require no further financing until an investor liquidity event. All of the major cardiovascular device players have shown considerable interest in the Cardio-Optics technology and product line and we anticipate that one or more of them will pursue an acquisition as the ablation product moves through the FDA approval process.

**CARDIO-OPTICS, INC. (cont.)****FINANCIAL RESULTS: (\$000)**

Overview: (FYE 12/31)

	<i>2002 Actual</i>	<i>2003 Actual</i>	<i>2004 Actual</i>	<i>2005 Actual*</i>	<i>2006 Budget</i>
Revenues	0	0	0	0	4,320
Cost of Sales	0	0	0	0	3,183
R&D Expenses	1,000	1,031	2,020	1,425	1,742
SG&A	1,527	1,036	1,022	4,422	8,978
EBIT	-2,527	-2,067	-3,042	-5,847	-9,583
Interest and Taxes	23	-31	3	-32	+518
<b>Net Income</b>	<b>-2,504</b>	<b>-2,098</b>	<b>-3,039</b>	<b>-5,879</b>	<b>-9,065</b>

\* - Subject to Audit

Last Three Months: Quarter Ended June 30, 2006

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	401	368	+33
Cost of Sales	345	303	-42
R&D Expenses	611	720	+109
SG&A	1,624	1,608	-16
EBIT	-2,179	-2,263	+84
Interest and Taxes	+219	+212	+7
<b>Net Income</b>	<b>-1,960</b>	<b>-2,051</b>	<b>+91</b>

Fiscal Year-to-Date: Six Months Ended June 30, 2006

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	522	508	+14
Cost of Sales	444	410	-34
R&D Expenses	1,117	1,168	+51
SG&A	3,385	3,396	+11
EBIT	-4,424	-4,466	+42
Interest and Taxes	+389	+380	+9
<b>Net Income</b>	<b>-4,035</b>	<b>-4,086</b>	<b>+51</b>

## CARDIO-OPTICS, INC. (cont.)

### Summary Balance Sheet as of June 30, 2006: (\$000)

Cash	\$ 13,256	Accounts Payable	\$ 488
Accounts Receivable	274	Accrued Expenses	552
Inventory & Other Current	<u>2,559</u>	Convertible Promissory Notes	<u>0</u>
Total Current Assets	16,089	Total Current Liabilities	1,040
Net PP&E	932	Long Term Debt - Lease line	28
Intangibles (Net)	0	Shareholders Equity	37,232
Other Assets	<u>287</u>	Retained Earnings	<u>-20,992</u>
Total Assets	<u>\$17,308</u>	Total Liabilities & Equity	<u>\$17,308</u>

### Comments:

Average monthly cash burn for 2006 is expected to be \$500K. The company is currently \$145K behind on its cash forecast for the year, primarily because of timing of accounts payable. Current capital resources are expected to last well into 2008.

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

Series A Convertible Preferred Stock	1,938,310 shares
Assigned Fair Value	\$6,388,670
Investment Cost	\$2,367,630
Cost per Share	\$1.2215
Series B Convertible Preferred Stock	1,153,329 shares
Assigned Fair Value	Investment Cost
Investment Cost	\$3,801,372
Cost per Share	\$3.296
% Ownership (Full Dilution)	18.2%
Company Valuation at CHP II Cost	\$33.5 million
Company Valuation at Assigned Fair Value	\$55.0 million

### Outlook:

Cardio-Optics made significant progress in 2005 and has a strong balance sheet. We are confident that the company will meet its objectives and provide a superior investment return.

**CODERYTE, INC.**  
**Bethesda, MD**  
*{www.coderyte.com}*

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

Period Summary: 2nd Quarter, 2006

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CodeRyte continued to progress steadily towards its primary goals for 2006 of revenue growth and streamlined implementation during the current quarter. Financial performance was ahead of plan with revenues growing by 18% over the prior quarter and expenses running well ahead of forecast due to delayed hiring related to the reorganization completed last quarter. The company missed its sales target for the quarter, but made significant progress with several important prospects and closed over \$1 million in new bookings during July. Monthly cash burn is currently \$650K and is expected to steadily decrease to \$500K per month by yearend 2006. With the financing and credit facility completed last quarter, the company has adequate financial resources to support operations into 2008. Management projects the company will begin to operate at cash flow breakeven by Q4 2007.

Since our initial investment in 2004, the consistent focus of management at CodeRyte has been on the improvement of implementations. The greatest challenge – the hiring of engineering staff to improve the web application making it more supportive and facilitating of the implementation process has largely been accomplished and the benefits are becoming apparent internally and to the market. During the current quarter, the company implemented 2.3 million notes, double the previous quarter, but still 25% below plan. Management forecasts another doubling of notes implemented next quarter, with 7.3 million notes implemented in Q4 2006 (120K above plan).

During the second quarter, the sales team closed \$1.15 million in annual recurring revenue, which was \$650K below plan for the period. Hiring, training and managing the sales and marketing teams have turned out to be the most difficult challenge for the CodeRyte senior management team. While taking much longer than anticipated, the company now has the nucleus of the team in place that will increase the likelihood of future success in sales. The sales pipeline currently projects that the company will close \$8.1 million in new business for 2006, slightly higher than plan.

Financial results for the period reflect a small revenue shortfall resulting from the sales and implementation lags mentioned earlier. Monthly revenues are currently over \$370K, with breakeven forecast at \$800K. Contracted backlog currently exceeds \$350K in monthly revenues. Operating expenses for the period were well below budget as a result of a more deliberate hiring process in all areas of the company. The monthly cash burn for the company for the remainder of the year is expected to average \$600K, as they continue to build infrastructure and the sales force.

**CODERYTE, INC. (cont.)**

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

Overview:

	<i>2002 Actual</i> (FYE 6/30)	<i>2003 Actual</i> (FYE 6/30)	<i>2004 Actual</i> (FYE 6/30)	<i>2005 Actual*</i> (Calendar)	<i>2006 Budget</i> (Calendar)
Revenues	332	743	1,502	3,057	6,024
Cost of Sales	0	0	0	0	0
Operating Expenses	1,762	2,576	2,682	9,575	14,062
EBITDA	-1,430	-1,833	-1,180	-6,488	-8,038
Depreciation & Amort.	-23	-12	-7	-48	-203
Other Income (Exp.)	-96	462	-169	+81	+85
<b>Net Income</b>	<b>-1,549</b>	<b>-1,383</b>	<b>-1,356</b>	<b>-6,455</b>	<b>-8,156</b>

\* - Subject to Audit

Last Three Months: Quarter Ended June 30, 2006

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	1,133	1,242	-109
Cost of Sales	0	0	0
Operating Expenses	2,924	3,534	+610
EBITDA	-1,791	-2,292	+501
Depreciation & Amort.	-16	-61	+45
Other Income (Expense)	+66	+63	+3
<b>Net Income</b>	<b>-1,741</b>	<b>-2,290</b>	<b>+549</b>

Fiscal Year-to-Date: Six Months Ended June 30, 2006

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	2,096	2,213	-117
Cost of Sales	0	0	0
Operating Expenses	5,831	6,910	+1,079
EBITDA	-3,735	-4,697	+962
Depreciation & Amort.	-38	-83	+45
Other Income (Expense)	+103	+96	+7
<b>Net Income</b>	<b>-3,670</b>	<b>-4,684</b>	<b>+1,104</b>

**CODERYTE, INC. (cont.)****Summary Balance Sheet as of June 30, 2006: (\$000)**

Cash	\$ 5,956	Accounts Payable	\$ 85
Accounts Receivable	1,281	Accrued Expenses	902
Other Current Assets	<u>27</u>	Deferred Revenue	<u>258</u>
Total Current Assets	7,264	Total Current Liabilities	1,245
Net PP&E	210	Long Term Liabilities	636
Intangibles (Net)	126	Shareholders Equity	25,044
Other Assets	<u>15</u>	Retained Earnings	<u>-19,310</u>
Total Assets	<u>\$ 7,615</u>	Total Liabilities & Equity	<u>\$ 7,615</u>

**Comments:**

The company is currently \$1.5 million ahead of its cash flow forecast and burning \$650K per month as it builds its infrastructure. Current capital resources are expected to last into 2008. Management has forecast the company to be cash flow breakeven by Q4 2007.

**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	171,456 shares
Assigned Fair Value	Investment Cost
Investment Cost	\$1,645,978
Cost per Share	\$9.60
% Ownership (Full Dilution)	14.2%
Company Valuation at CHP II Cost	\$32.9 million
Company Valuation at Assigned Fair Value	\$32.9 million

**Outlook:**

With its superior proprietary technology, and broad applicability in the clinical healthcare market, we continue to have high expectations for our investment in CodeRyte.



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

**Integrated Telecommunications, Web and Data Networks for Patient Management**

Period Summary: 2nd Quarter, 2006

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By way of review, on November 2, 2005, IntelliCare was acquired by PolyMedica Corporation in a \$20 million cash transaction, with 10% of the gross proceeds placed in escrow for one year (related to the representations and warranties made by IntelliCare). At closing, Cardinal received a total of \$2,655,344 in cash, plus \$774,892 representing its share of the escrowed funds. The escrow is scheduled to be released in November 2006.

We have valued the funds held in escrow at \$500,000 representing a conservative estimate of the ultimate funds to be received by Cardinal. This amount is recorded on the balance sheet as Net Cash Held in Escrow.

In March, CHP II received notice that a group of Series A investors was going to file suit against the Board of Directors and the Series C investors for breach of fiduciary duty with regard to the sale of the company to PolyMedica. The suit has been filed in the State of Maine and the Series C investors, including CHP II have engaged counsel to file a motion to dismiss for lack of grounds. Discovery is ongoing and we feel confident that the portion of the action involving the Series C investors has no merit and will be dismissed. Any settlement or judgment of the investor portion of the suit could impact the escrowed funds. The judge in the case has said that he will rule on the merits after completion of discovery. The total investment of the claimants involved is \$125,000. We feel our reserve more than adequately covers any potential claim against our allocation of the funds in escrow.

CHP II, L.P. Holdings:

Cash Holdback Held in Escrow	\$ 774,892
Reserve Against Escrow	<u>(274,892)</u>
Net Cash Held in Escrow	\$ 500,000

**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: 2nd Quarter, 2006

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While the product development track slipped a little this quarter due to an engineering transition, management is still expecting to complete pre-clinical testing of the open surgical product by Q3 2006, initiate human clinical testing in November and file a 501(k) submission with the FDA by January 2007. Financially the company is currently burning \$150K per month, which is \$100K under plan. Cash burn is expected to ramp up closer to plan of \$300K per month in the coming quarter. Management has revised the 2006 forecast to reflect a 10% increase in engineering and clinical testing expenditures for the last six months of 2006.

During the current quarter, the company transitioned its outsourced engineering firm due to projected cost overruns and lack of proper resource allocation to the Mitral project. The new contractor has already dedicated more resources than expected to the Mitral project and while the timeline to initial human clinical testing has been delayed from October to November, management has greater confidence that the new provider can meet its projected timeline. Bench testing of the open surgical product continues, with a design freeze set for the end of the summer coupled with the initiation of animal testing. Management expects to complete the design phase by the end of Q3 2006 and file a 510(k) application for this product in early 2007. The company held pre-510(k) meetings with the FDA in June to review the submission process. Feedback from the FDA regarding protocol is expected by the end of August. Product development for the company's percutaneous product will lag the open surgical product by about 6-9 months.

The company is currently burning an average of \$150K per month. This is expected to ramp to \$300K per month over the next few months as the company completes product design, pre-clinical testing, and prepares the 510(k) submission. Current capital resources are adequate to support operations for 24 months. However, we anticipate the company will initiate a second round of financing in 2H of 2007, based upon the 510(k) approval of the open surgical product and significant progress towards development of the percutaneous product. Additional financing would enable a more aggressive development plan for the percutaneous product. Cardinal has reserved \$3 million for future financing needs for Mitral.

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

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

Overview:

	<i>2004 Actual</i>	<i>2005 Actual</i>	<i>2006 Budget*</i>
Revenues	0	0	0
R&D Expenses	158	183	2,203
Operating Expenses	255	550	1,153
EBIT	-413	-733	-3,356
Other Income (Expense)	0	+11	-436
<b>Net Income</b>	<b>-413</b>	<b>-722</b>	<b>-3,792</b>

\* - Budget revised in June 2006

Last Three Months: Quarter Ended June 30, 2006

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	0	0	0
R&D Expenses	414	642	+228
Operating Expenses	340	281	-59
EBIT	-764	-923	+169
Other Income (Expense)	-92	-152	+60
<b>Net Income</b>	<b>-846</b>	<b>-1,075</b>	<b>+229</b>

Fiscal Year-to-Date: Six Months Ended June 30, 2006

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	0	0	0
R&D Expenses	649	1,048	+399
Operating Expenses	674	576	-98
EBIT	-1,323	-1,624	+301
Other Income (Expense)	-151	-212	+61
<b>Net Income</b>	<b>-1,474</b>	<b>-1,836</b>	<b>+362</b>

## MITRALSOLUTIONS, INC. (cont.)

### Summary Balance Sheet as of June 30, 2006: (\$000)

Cash	\$ 4,709	Accounts Payable	\$ 136
Accounts Receivable	0	Accrued Expenses	21
Other Current Assets	<u>62</u>	Other Current Liabilities	<u>279</u>
Total Current Assets	4,771	Total Current Liabilities	436
Net PP&E	51	Long Term Debt - Lease line	0
Intangibles (Net)	83	Shareholders Equity	7,380
Other Assets	<u>23</u>	Retained Earnings	<u>-2,888</u>
Total Assets	<u>\$ 4,928</u>	Total Liabilities & Equity	<u>\$ 4,928</u>

### Comments:

The cash balance above reflects the receipt of the \$4.5 million from the March 13, 2006, second closing of the Series B financing. During the current quarter, average cash burn was \$150K per month. That is forecast to accelerate to twice that amount over the next several months as the company ramps product development and prepares for its 510(k) filing.

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

Series B Convertible Preferred Stock	12,037,038 shares
Assigned Fair Value	Investment Cost
Investment Cost	\$3,250,000
Cost per Share	\$0.27
% Ownership (Full Dilution)	30.7%
Company Valuation at CHP II Cost	\$10.6 million
Company Valuation at Assigned Fair Value	\$10.6 million

### Outlook:

The capital requirements to get this investment to a successful exit are relatively low and allows for Cardinal to have significant ownership in a company that has several early auctionable milestones for potential acquirers. We are very excited about the prospects for an excellent return on our investment in Mitral.

**MOMENTA PHARMACEUTICALS, INC.**  
**(formerly Mimeon, Inc.)**  
**Cambridge, MA**  
**{[www.momenta.com](http://www.momenta.com)}**

**Glycomics Based Drug Discovery and Development**

Period Summary: 2nd Quarter, 2006

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For the second quarter of 2006, Momenta continued to guide its lead product M-Enoxaparin through the FDA review process and prepare for possible commercialization, while closely tracking the Aventis patent disallowance litigation. The company also continued to advance M118, its second product offering, through preclinical and manufacturing activities in support of an IND filing expected to be completed by mid-summer. Financial results for the period showed a net loss of \$12.6 million compared with a net loss of \$4.6 million for the same period last year. For the six months ended June 30, 2006, the company reported a net loss of \$23.9 million compared with a net loss of \$8.3 million in the same period in 2005. At June 30, 2006, the company held cash and cash equivalents of \$139.9 million. Cash burn for the quarter was \$9 million and stands at \$16 million year-to-date.

Revenue for the second quarter of 2006 was \$5.4 million, compared to \$3.4 million for the second quarter of 2005. For the six months ended June 30, 2006, revenue was \$7.9 million, compared to \$6.8 million in the same period of 2005. Revenue in all periods was earned under the Company's 2003 collaborative agreement with Sandoz, an affiliate of Novartis AG, for M-Enoxaparin, a technology-enabled generic version of the low molecular weight heparin drug Lovenox®.

Research and development expenses for the second quarter of 2006 were \$13.5 million, compared to \$5.0 million for the same period in 2005. For the six months ended June 30, 2006, research and development expenses were \$22.9 million, compared to \$9.9 million in the comparable period in 2005. The increase in research and development expenses was primarily due to increased headcount-related expenses, including an increase in stock-based compensation, and increased M118 preclinical and other development program expenses.

General and administrative expenses for the second quarter of 2006 totaled \$6.1 million, compared with \$3.2 million for the same period in 2005. For the six months ended June 30, 2006, general and administrative expenses were \$12.1 million, compared to \$5.8 million in the same period of 2005. The increase in general and administrative expenses was primarily due to increased headcount-related expenses, including an increase in stock-based compensation, and increased professional fees.

## MOMENTA PHARMACEUTICALS, INC. (cont.)

### FINANCIAL SUMMARY: (\$000)

#### Statement of Operations:

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>06/30/06</u>	<u>06/30/05</u>	<u>06/30/06</u>	<u>06/30/05</u>
Revenues	5,397	\$3,364	7,904	6,779
Research & Development	13,471	4,999	22,916	9,930
General & Administrative	<u>6,094</u>	<u>3,231</u>	<u>12,061</u>	<u>5,771</u>
Loss from Operations	-14,168	-4,866	-27,073	-8,922
Other Income (Expense)	<u>+1,584</u>	<u>+286</u>	<u>+3,157</u>	<u>+572</u>
Net Income (Loss)	-12,584	-4,580	-23,916	-8,350
Earnings Per Share (\$)	-\$0.41	-\$0.18	-\$0.78	-\$0.33

#### Summary Balance Sheet as of June 30, 2006:

Cash	\$139,852	Accounts Payable	\$ 9,132
Unbilled Revenue	5,727	Accrued Expenses	2,801
Other Current Assets	<u>5,149</u>	Other Current Liabilities	<u>2,161</u>
Total Current Assets	150,728	Total Current Liabilities	14,094
Net PP&E	10,274	Other Liabilities (LOC)	6,504
Intangible & Other Assets	<u>1,779</u>	Shareholders Equity (Net)	<u>142,183</u>
Total Assets	<u>\$162,781</u>	Total Liabilities & Equity	<u>\$162,781</u>

#### Comments:

Following the July 2005 secondary public offering, the cash position of the company is substantial. No additional capital should be required for many years.

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

Common Stock	476,836 shares
Assigned Fair Value (476,836 x \$12.71)	\$6,060,586
Investment Cost	\$2,948,504
Cost per Share	\$6.183
% Ownership (Shares Outstanding)	1.88%
Company Valuation at CHP II Cost	\$157.1 million
Company Valuation at Market (\$12.71 per share)	\$390.2 million

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

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

Period Summary: 2nd Quarter, 2006

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As we approach the deadline for Abbott to exercise its option to extend its right to acquire Replication based on milestones, we now place a 50/50 probability that Abbott will exercise the option. There has been substantial and abrupt personnel turnover at Abbott in the group that signed the original agreement last summer and no new champion has appeared. We continue to keep in contact with Abbott, but their representatives have shown little interest in the program. In other news this quarter, the company has received comments from a pre-IDE meeting with the FDA held in early April and based upon those comments management has revised its expectations for timing on its IDE application to late Q3/early Q4 2006.

The company held a pre-IDE meeting with the FDA in early April 2006. The results of the meeting were mostly favorable, but will lead to a delay in the filing of the IDE application. The company now expects to submit its IDE to the FDA for approval late in Q3 2006. Pre-clinical testing to-date has gone well and the company is on schedule on its manufacturing plan for the Neu Disc™. All data required for the IDE submission is expected to be completed by the end of August. To-date monthly cash burn has averaged \$300K, \$80K lower than expected, but we expect the burn to increase to \$400K in Q3 2006. The current forecast shows the expected initiation of pivotal clinical trials by Q2 2007.

With the uncertainty at Abbott's Spinal Concept subsidiary, management is preparing a contingency plan in case they do not exercise their option extension. The company has more than adequate capital to support operations through an IDE approval. Cardinal Principals Brandon Hull and Chuck Hadley continue to work intensively with company management to ensure that the specified milestones are met in a timely fashion, which should deliver an excellent return on this 2003 investment.

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

Overview: (FYE 12/31)

	<i>2002 Actual</i>	<i>2003 Actual</i>	<i>2004 Actual</i>	<i>2005 Actual</i>	<i>2006 Budget</i>
Revenues	0	0	0	0	0
R&D Expenses	1,255	2,396	2,600	2,662	3,668
Operating Expenses	324	782	456	1,127	4,346
EBIT	-1,579	3,178	-3,056	-3,749	-8,104
Interest and Taxes	3	27	12	+91	+100
<b>Net Income</b>	<b>-1,576</b>	<b>-3,151</b>	<b>-3,044</b>	<b>-3,658</b>	<b>-8,004</b>

Last Three Months: Quarter Ended June 30, 2006

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	0	0	0
R&D Expenses	892	973	+81
Operating Expenses	370	502	+132
EBIT	-1,262	-1,475	+213
Interest and Taxes	+50	+30	+20
<b>Net Income</b>	<b>-1,212</b>	<b>-1,445</b>	<b>+223</b>

Fiscal Year-to-Date: Six Months Ended June 30, 2006

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	0	0	0
R&D Expenses	1,653	1,846	+193
Operating Expenses	645	904	+259
EBIT	-2,298	-2,750	+452
Interest and Taxes	+116	+70	+46
<b>Net Income</b>	<b>-2,182</b>	<b>-2,680</b>	<b>+498</b>



## REPLICATION MEDICAL (cont.)

### Summary Balance Sheet as of June 30, 2006: (\$000)

Cash	\$ 9,325	Accounts Payable	\$ 78
Prepaid Expenses	50	Accrued Expenses	550
Other Current Assets	<u>42</u>	Notes Payable	<u>0</u>
Total Current Assets	9,417	Total Current Liabilities	628
Net PP&E	519	Long Term Debt	0
Intangibles (net)	0	Shareholders Equity	25,606
Other Assets	<u>19</u>	Retained Earnings	<u>-16,279</u>
Total Assets	<u>\$ 9,955</u>	Total Liabilities & Equity	<u>\$ 9,955</u>

#### Comments:

Monthly cash burn has averaged \$360K for the quarter and is expected to ramp up to \$400K by the end of Q3 2006. The company has more than adequate capital resources to move through 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 \$2.9781)	\$7,786,290
Investment Cost	\$2,500,000
Cost per Share	\$0.9562
Series C Convertible Preferred Stock	299,281 shares
Assigned Fair Value (299,281 x \$3.45)	\$1,032,519
Investment Cost	\$566,759
Cost per Share	\$1.90
% Ownership (Full Dilution)	18.5%
Company Valuation at CHP II Cost	\$16.9 million
Company Valuation at Assigned Fair Value	\$48.6 million

#### Outlook:

Even with the uncertainty around Abbott exercising its option, with more than adequate capital resources on hand, we remain very excited about the prospects for our investment in Replication.

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

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

Period Summary: 2nd Quarter, 2006

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During the quarter, Rib-X continued to progress its development programs through clinical and pre-clinical trials, as well as complete a third round financing. Management has fine tuned its corporate and clinical development goals for 2006 to focus squarely on demonstrating that the pipeline and business strategy will support a \$500 million valuation for the business by the end of 2007. The lead program was reactivated during the period with a second compound beginning Phase I clinical trials. In addition, the company completed the in-licensing of a compound from Abbott Laboratories that management believes can be in Phase III clinical studies by the end of 2007. Finally, in June the company completed a \$50 million third round financing that is sufficient to support operations into 2008. All of the current investors participated in the financing, along with two new investors, Radius Venture Partners and Medimmune Ventures.

Financial performance for the year is well ahead of plan primarily due to lower than forecast R&D expenditures. This variance is due to the following timing differences: the temporary deferral of the Rx-01 formulation development and Phase I multi-dose and other clinical studies (\$1.9 million); cost savings of \$700K on the Rx-1284 program; deferral of Rx-02 advanced preclinical costs (\$2.3 million) until a clinical candidate is identified; and deferral of Rx-03 costs until the license agreement execution (\$2.8 million). Cash burn is averaging close to \$2 million per month for the year. This is expected to accelerate to almost \$3 million by the end of the year. The company remains well ahead of its cash forecast.

Rib-X completed a \$50 million third round financing on June 8, 2006. The financing was led by current investor Warburg Pincus and included a \$10 million investment from two new investors Radius Venture Partners and Medimmune Ventures. The financing values the company at \$140 million post-money, including a 10% increase to the incentive stock option pool. Cardinal contributed \$3 million to the financing and maintained its ownership percentage in Rib-X at five percent on a fully diluted basis. These funds are forecast to support operations well into 2008. Management's plan is to position the company for a potential initial public offering by the second half of 2007.

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

Overview: (FYE 12/31)

	<i>2002 Actual</i>	<i>2003 Actual</i>	<i>2004 Actual</i>	<i>2005 Actual*</i>	<i>2006 Budget</i>
Revenues	0	148	0	502	783
R&D Expenses	5,283	9,469	10,230	5,178	23,549
Operating Expenses	2,192	1,750	3,534	11,630	13,221
EBIT	-7,475	-11,071	-13,764	-16,306	-35,987
Interest and Taxes	-71	+134	+394	+635	+1,310
<b>Net Income</b>	<b>-7,546</b>	<b>-10,937</b>	<b>-13,370</b>	<b>-15,671</b>	<b>-34,677</b>

\* - Preliminary, Subject to Audit

Last Three Months: Quarter Ended June 30, 2006

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	631	200	+431
R&D Expenses	3,578	7,574	+3,996
Operating Expenses	2,854	3,305	+451
EBIT	-5,801	-10,679	+4,878
Interest and Taxes	+268	+417	-149
<b>Net Income</b>	<b>-5,533</b>	<b>-10,262</b>	<b>+4,729</b>

Fiscal Year-to-Date: Six Months Ended June 30, 2006

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	631	783	-152
R&D Expenses	6,503	14,296	+7,793
Operating Expenses	5,897	6,617	+720
EBIT	-11,769	-20,130	+8,361
Interest and Taxes	+427	+550	-123
<b>Net Income</b>	<b>-11,342</b>	<b>-19,580</b>	<b>+8,238</b>

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

### **Summary Balance Sheet as of June 30, 2006: (\$000)**

Cash	\$ 62,406	Accounts Payable	\$ 1,824
Accounts Receivable	210	Accrued Expenses	0
Other Current Assets	<u>731</u>	Notes Payable Current	<u>420</u>
Total Current Assets	63,347	Total Current Liabilities	2,244
Net PP&E	3,420	Notes Payable	1,930
Intangibles (net)	0	Shareholders Equity	122,692
Other Assets	<u>249</u>	Retained Earnings	<u>-59,850</u>
Total Assets	<u>\$67,016</u>	Total Liabilities & Equity	<u>\$67,016</u>

#### **Comments:**

The company is well ahead of its cash burn plan for 2006. Monthly cash burn is almost \$2.0 million per month and is expected to reach \$3 million by yearend. The balance sheet reflects all proceeds from the \$50 million financing completed this period.

#### **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 is well capitalized, with a high potential and proprietary drug development platform. We remain confident about the prospects for our Rib-X investment.

**SIRTRIS PHARMACEUTICALS, INC.**  
**Cambridge, MA**  
*{www.sirtrispharma.com}*

**Biopharmaceutical Development for the Treatment of Neurodegenerative and  
Metabolic Diseases via Activation of the SIRT1 Enzyme**

Period Summary: 2nd Quarter, 2006

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A major accomplishment was achieved during the current quarter with the filing of an initial Investigational New Drug Application (“IND”) with the FDA for SRT 501 and the completion of dosing for an initial Phase 1 clinical trial. The company is now planning additional Phase 1 trial studies targeting type II diabetes and neurological or mitochondrial disorders, which it hopes to complete by the end of the year. With the lead program moving into the clinic, the key goals for the next 6-9 months are: completion of a strategic partnership with one or more major pharmaceutical partners and selecting and initiating work on a second target beyond SIRT1. With more than adequate capital resources, the company has revised its budget for 2006 to accelerate the SRT501 clinical development program.

During the quarter, the company announced that it has completed dosing eighty-five human subjects in a Phase 1 clinical safety and pharmacokinetic trial of its lead compound, SRT501. SRT501 is the first small molecule designed to target SIRT1 to enter the clinic. SIRT1 is the founding member of the human sirtuin family of enzymes. Specifically, SRT501 acts by increasing mitochondrial activity and is thus therapeutically targeted to address metabolic diseases like diabetes and obesity. SRT501 or placebo has been administered orally, once daily in single ascending doses for seven consecutive days across several cohorts. The trial will evaluate SRT501 for safety, tolerability, and pharmacokinetics.

In May, management proposed a more aggressive clinical development program for SRT501. The plan adds almost \$3 million in spending for 2006 in an effort to parallel track Phase 1 clinical studies and scale up for later stage clinical studies. Financially, the company is performing slightly behind plan. Cash burn has averaged almost \$1.3 million per month for the first half of 2006. Under the revised budget plan, the burn will accelerate to almost \$1.5 million by Q4 2006. Current capital resources will support this plan thru 2008.

Strategic partner, mezzanine and investment banker interest remains strong. The company is in serious discussions with multiple large pharmaceutical companies regarding strategic alliances. However, given the significant capital resources currently available to Sirtris, management has been steadfast on terms to complete a deal. Over the next year the company is hopeful of completing a couple of significant strategic partnerships. Should the company be successful in this effort and remain on track on its clinical plan, Sirtris would be in good position to begin exploring an investor liquidity event in 2007.

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

Overview: (FYE 12/31)

	<i>2004 Actual</i>	<i>2005 Actual*</i>	<i>2006 Budget**</i>
Revenues	0	68	75
R&D Expenses	1,247	7,060	12,654
Operating Expenses	554	3,695	4,023
EBIT	-1,801	-10,687	-16,602
Interest and Taxes	+45	+1,123	+678
<b>Net Income</b>	<b>-1,756</b>	<b>-9,564</b>	<b>-15,924</b>

\* - Preliminary, Subject to Audit

\*\* - Modified budget approved in May 2006

Last Three Months: Quarter Ended June 30, 2006

	<i>Actual</i>	<i>Budget**</i>	<i>Variance</i>
Revenues	42	0	++42
R&D Expenses	2,885	2,706	-179
Operating Expenses	1,063	991	-72
EBIT	-3,906	-3,697	-209
Interest and Taxes	+483	+359	+124
<b>Net Income</b>	<b>-3,423</b>	<b>-3,338</b>	<b>-85</b>

Fiscal Year-to-Date: Six Months Ended June 30, 2006

	<i>Actual</i>	<i>Budget**</i>	<i>Variance</i>
Revenues	42	75	-33
R&D Expenses	5,810	5,596	-214
Operating Expenses	1,970	1,867	-103
EBIT	-7,738	-7,388	-350
Interest and Taxes	+813	+574	+239
<b>Net Income</b>	<b>-6,925</b>	<b>-6,814</b>	<b>-111</b>

## SIRTRIS PHARMACEUTICALS, INC. (cont.)

### Summary Balance Sheet as of June 30, 2006: (\$000)

Cash	\$57,816	Accounts Payable	\$ 820
Accounts Receivable	0	Accrued Expenses	405
Other Current Assets	<u>539</u>	Notes Payable Current	<u>0</u>
Total Current Assets	58,355	Total Current Liabilities	1,225
Net PP&E	1,075	Equipment Notes	10,000
Intangibles (net)	0	Shareholders Equity	66,921
Other Assets	<u>231</u>	Retained Earnings	<u>-18,485</u>
Total Assets	<u>\$52,282</u>	Total Liabilities & Equity	<u>\$52,282</u>

### Comments:

Average cash burn for the first six months of 2006 is \$1.3 million per month, growing to \$1.5 million by Q4 2006. The company has sufficient capital to operate thru 2008.

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

Series A Convertible Preferred Stock	1,600,000 shares
Assigned Fair Value (1,600,000 x \$1.12)	\$1,792,000
Investment Cost	\$800,000
Series A-1 Convertible Preferred Stock	3,750,000 shares
Assigned Fair Value (3,750,000 x \$1.12)	\$4,200,000
Investment Cost	\$2,250,000
Series B Convertible Preferred Stock	3,750,000 shares
Assigned Fair Value (3,750,000 x \$1.12)	\$4,200,000
Investment Cost	\$3,000,000
Series C Convertible Preferred Stock	1,785,715 shares
Assigned Fair Value	Investment Cost
Investment Cost	\$2,000,001
Cost per Share	\$1.12
% Ownership (Full Dilution)	10.5%
Company Valuation at CHP II Cost	\$76.7 million
Company Valuation at Assigned Fair Value	\$116.1 million

### Outlook:

Sirtris is very well capitalized and has a proprietary technology with vast potential addressing large markets. We are very excited about the prospects for our investment.