

CHP II, L.P.
QUARTERLY REPORT
3rd QUARTER, 2004

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3rd QUARTER, 2004
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TO: The Limited Partners
FROM: John K. Clarke
DATE: November 15, 2004
SUBJECT: Activity for the Quarter Ended September 30, 2004

During the quarter, the CHP II portfolio continued to make good operational progress and we are optimistic about the prospects of providing some near term liquidity to our partners. We also completed our 13th portfolio investment, with an \$800K contribution to the first round financing for Sirtris Pharmaceuticals, Inc. The following are short summaries of activity for the quarter in each of our portfolio companies.

Alnylam Pharmaceuticals – Alnylam (Nasdaq: ALNY) made good progress on both the scientific and business fronts. The company presented data on gene silencing related to Parkinson's disease and continued to advance its therapeutic development programs. On the business front, the company hired a Chief Patent Counsel and secured rights to key patents and patent estates, advancing their efforts to build a dominant intellectual property estate in the area of RNAi therapeutics.

AthenaHealth – Athena continues to meet or exceed its income statement and cash flow goals for 2004. Revenues grew by 11% over the prior quarter and sales are 199% of plan YTD. Gross margins for the quarter grew to 46%, exceeding plan by 2% and driving better than expected results for both EBITDA and net loss. Operating cash flow was positive for the quarter and is \$1.5 million ahead of plan for the year. Athena's current annualized revenue run rate is \$42 million, on a contract base of \$56 million. The company is operating at positive EBITDA, with sustainable profitability on the horizon. The company has a strong balance sheet coupled with a robust recurring revenue model and strong margins. We view Athena as a very attractive candidate for a liquidity event in the next 12-15 months and remain excited about the prospects for our investment.

CardioOptics – Cardio-Optics made steady progress on its product development plan for its coronary lead placement kit, and remains on track to submit a 510(k) and begin human testing in early 2005. During the quarter, the Board engaged Costello O'Hara to recruit a CEO with the skills to take Cardio-Optics from the R&D focused organization it is today, into a market stage company. Several excellent candidates have been identified and we are hopeful the process will be successfully concluded early next year.

CodeRyte – During the quarter, CodeRyte has made significant progress, specifically in terms of sales/new contracts and personnel recruiting. During the quarter, the company won new contracts that represent over \$1 million in annual revenues and the company is more than \$1 million ahead of its sales plan. However, growth related implementation issues have hindered revenues, which are below expectations. On the recruiting front, the company filled multiple junior management positions in sales, engineering, coding and implementation. The company is still looking to fill some senior management positions including Chief Financial Officer and Chief Technical Officer.

IntelliCare America – Financial results for the third quarter of 2004 produced positive EBITDA, though not at levels forecast due to higher labor costs and delays in new contract implementation. As the period ended, a number of new contracts are pending that will get the company to within \$500K of the \$18 million sales budget for 2005. The main focus on management is to attain a self-sustaining cash flow position without compromising the ability to grow the business as planned. Plans for operating margin improvement, reduced overhead and customer repricing for the lowest margin accounts will all be implemented over the next 90 days.

Mobile Medical – The severe weather in Florida had a direct impact on the financial performance of Mobile Medical. Management estimates that business interruptions caused by hurricanes during the period accounted for over \$1 million in lost revenues. September would have been the first positive EBITDA month for the company had it not been for Hurricane Jeanne. The team performed well during the quarter in the face of adversity and the business is showing marked improvement in most areas. By yearend, management hopes to complete the acquisition of a \$20 million rehabilitation services company that will provide significant cross-selling opportunities. The two companies are already working together on a number of marketing initiatives.

Momenta – During the quarter, Momenta (Nasdaq: MNTA) continued to advance their lead product, M-Enoxaparin (M-Enox) and the company remains on track to file the ANDA for M-Enox by mid-2005. Momenta's accomplishments in the sequencing and synthesis of complex sugars were recently highlighted in the October issue of Nature Reviews Drug Discovery. This review article describes the challenges associated with analyzing complex sugars and highlights the vast potential of sugars for therapeutic drug development. In other news, the company signed amendments to its license with M.I.T. to cover newly discovered enzymes, which will be used to expand the company's capabilities for analysis of complex sugars.

Replication Medical – Replication devoted the majority of its efforts during the third quarter toward the location and design of a new manufacturing facility. The company's sole source of its hydrogel devices has been a small European contract manufacturer. Shipping and product quality problems from the manufacturer have been a major contributor to the delays and re-work, which have slowed progress against plan at Replication during the first half of the year. Replication's facility will allow it to have greater control over manufacturing processes, as well as a more reliable supply of devices for testing and implantation in patients. Replication has attracted significant interest from both private equity investors as well as potential acquirers. We continue to manage interest from these various alternatives, and are responding to diligence requests from two significant companies in the Orthopedic/Spine space.

Rib-X Pharmaceuticals – During the quarter, the Rib-X scientific team began conducting further pre-clinical studies on its lead compound, RX-1284, which had been placed on hold last quarter due to unexpected toxicity results. In addition, the company's lead program has yielded a second compound, RX-1741 that will be accelerated into pre-clinical testing as a back-up. Given the breadth of antibacterial activity exhibited by RX-1284 and RX-1741 as compared to major competitor compounds, management is proposing parallel tracking of the two compounds through advanced pre-clinical and clinical development, with the goal of identifying a suitable IND filing candidate in 2005. Additional programs to identify other drug candidate compounds will be accelerated in the coming months and through 2005.

Sirtris Pharmaceuticals – CHP II contributed \$800,000 to a \$5 million start-up financing for this Cambridge-based biopharmaceutical company that is developing a new family of drugs to treat diabetes, obesity and many diseases associated with old age, including cardiovascular disease and cancer. The exceptional luminary profile of the Sirtris team attracted high interest in both the scientific and investment communities.

Included in this report are financial statements for the period, a portfolio valuation memo, an update on each of our portfolio companies, an investment memorandum for Sirtris Pharmaceuticals, a recent investment research report for Momenta, and a deal activity report for the quarter.

Deal Flow:

During the quarter, we have reviewed 73 business proposals. Current “A” deals include: Axogen, Intercept Biomedical, Medabsorb Technologies, Osprey Pharmaceuticals, Quantum Orthopedics, and Wavemark. An alphabetical list of all deals received with a brief business description, deal source and deal status is included in the Appendix to this report.

Financial Results:

There was one capital call during the period for a total of \$875,000. Utilization of these funds included the \$800,000 investment in Sirtris Pharmaceuticals and the payment of fund fees and expenses. As of September 30, 2004, cumulative capital contributions stand at \$69.9 million or 59.5% of total commitments. Cash at the end of the period was \$24K and net assets totaled \$50.6 million. Net loss for the quarter was \$4.5 million, consisting of \$669K in net operating expenses, plus a \$3.8 million decrease in cumulative unrealized portfolio appreciation. Changes in portfolio valuation for the quarter included an unrealized loss for both Alnylam (\$2.8 million) and Momenta (\$1.0 million), related to public market price changes. A new schedule has been added to the end of the financial reporting section that summarizes the cumulative fund gains and losses by portfolio investment.

Looking forward:

Our Limited Partner Annual Meeting will be held in New York City on Wednesday, December 1st at the Four Seasons Hotel beginning at 11:00 am. A complete agenda for the meeting has been inserted with this report. Should you have any questions regarding the meeting, please contact our meeting coordinator Pam Shaw at our Princeton office. We look forward to seeing many of you in New York.

With two CHP II portfolio companies successfully completing an initial public offering earlier this year, and a couple of others entertaining potential acquisition interest, we are very hopeful of creating some meaningful liquidity for our partners in the near term. We continue to work diligently to build value in the portfolio and appreciate your input and support.

CHP II, L.P.
Income Statement
For the Period Ended September 30, 2004

	Three Months Ended 09/30/04	Nine Months Ended 09/30/04
Revenue:		
Non Portfolio Income	\$320	\$799
Interest-Equivalent Amounts	0	0
Expenses:		
Management Fee	660,795	2,129,230
Professional Fees	9,217	27,604
NVCA Dues & Expenses	5,173	5,173
Amortization of Organization Costs	0	0
Annual Meeting & Miscellaneous	33	3,263
Total Expenses	675,218	2,165,270
Net Operating Expense	(674,898)	(2,164,471)
Investment Income	5,817	17,592
Net Income Before Gains (Losses)	(669,081)	(2,146,879)
Realized Gains (Losses)	0	0
Unrealized Gains (Losses)	(3,833,208)	4,004,391
Net Income (Loss)	(\$4,502,289)	\$1,857,512

CHP II, L.P.
Balance Sheet
As of September 30, 2004

ASSETS:	Period Ended 09/30/04	Period Ended 06/30/04
Cash and Short-Term Investments	\$23,658	\$616,621
Accrued Interest	56,984	51,168
Venture Capital Investments	50,188,868	53,223,313
Organization Costs (Net of Accum. Amortization)	0	0
Other Assets	<u>333,141</u>	<u>328,984</u>
	<u>\$50,602,651</u>	<u>\$54,220,086</u>
 LIABILITIES & CAPITAL:		
Accrued Expenses and Payables	\$21,207	\$11,352
Partners' Accounts	<u>50,581,444</u>	<u>54,208,734</u>
Total Liabilities and Capital	<u><u>\$50,602,651</u></u>	<u><u>\$54,220,086</u></u>

CHP II, L.P.
Footnotes
As of September 30, 2004

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

Note 2 – Net Organization Costs	09/30/04	06/30/04
Organization Costs	\$183,232	\$183,232
Accumulated Amortization	(183,232)	(183,232)
Total	<u>\$0</u>	<u>\$0</u>

Note 3 – General Partner Promissory Notes	09/30/04	06/30/04
GP Promissory Note Principal	\$331,791	\$327,634
Prepaid NJ State Filing Fees	1,350	1,350
Total	<u>\$333,141</u>	<u>\$328,984</u>

Note 4 – Accrued Expenses	09/30/04	06/30/04
Professional Fees	\$16,000	\$10,872
NVCA Dues & Annual Meeting	5,174	0
Other Accrued Expenses	33	480
Total	<u>\$21,207</u>	<u>\$11,352</u>

Note 5 – Financial Highlights (Return & IRR)	Net to LP's	Total Fund
Year-to-Date Return on Net Assets	7.54%	7.54%
Internal Rate of Return Since Inception	-13.57%	-13.57%

CHP II, L.P.
Statement of Cash Flows
For the Period Ended September 30, 2004

	Three Months Ended 09/30/04	Nine Months Ended 09/30/04
Cash flows from operating activities		
Net Income Before Gains (Losses)	(\$669,082)	(\$2,146,880)
Adjustments to reconcile net income before gains (losses) to net cash used in operating activities:		
Accrued Interest Receivable	(5,816)	(16,313)
Accrued Organization Costs	0	0
Other Assets	0	(1,350)
Accrued Expenses & Payables	9,855	(10,314)
Net Cash used in Operating Activities	(665,043)	(2,174,857)
Cash flows from investing activities		
Purchases of venture capital investments	(800,000)	(8,924,787)
Sales of venture capital investments	1,237	2,034
Net cash used in investing activities	(798,763)	(8,922,753)
Cash flows from financing activities		
Cash contributions by partners	870,843	11,034,884
Cash distribution to partners	0	0
Net cash provided by financing activities	870,843	11,034,884
 Net Change in Cash and Short Term Investments	 (592,963)	 (62,726)
Cash and Short Term Investments, beginning	616,621	86,384
Cash and Short Term Investments, ending	\$23,658	\$23,658

CHP II, L.P.
Schedule of Venture Capital Investments
As of September 30, 2004

Company	Debt	Equity	Total Cost	Fair Value	Unrealized Gain (Loss)
Alnylam Pharmaceuticals	\$0	\$8,959,015	\$8,959,015	\$9,036,878	\$77,863
AthenaHealth, Inc.	0	5,000,001	5,000,001	8,181,820	3,181,819
Cardio-Optics, Inc.	0	3,001,279	3,001,279	3,001,279	0
CodeRyte, Inc.	0	2,780,004	2,780,004	2,780,004	0
IntelliCare America, Inc.	0	4,000,000	4,000,000	2,464,585	(1,535,415)
Mobile Medical Industries	0	4,000,000	4,000,000	4,000,000	0
Molecular Mining Corp.	0	1,437,273	1,437,273	28,212	(1,409,061)
Momenta Pharmaceuticals, Inc.	0	6,823,506	6,823,506	13,396,090	6,572,584
Replication Medical	0	2,500,000	2,500,000	2,500,000	0
Rib-X Pharmaceuticals, Inc.	0	4,000,000	4,000,000	4,000,000	0
SirTris Pharmaceuticals, Inc.	0	800,000	800,000	800,000	0
Totals	\$0	\$43,301,078	\$43,301,078	\$50,188,868	\$6,887,790

CHP II, L.P.
Statement of Partners' Contributions Accounts
As of September 30, 2004

	Partners' Total Subscription	Contributions Account 06/30/04	Period Contribution in Cash	Period Contribution by Note	Contributions Account 09/30/04	Partners' Outstanding Subscription
<u>Limited Partners</u>						
State Teachers Ret. System of Ohio	\$30,000,000	\$17,614,630	\$223,452	\$0	\$17,838,082	\$12,161,918
Nassau Capital Funds	10,000,000	5,871,542	74,484	0	5,946,026	4,053,974
Robert Wood Johnson Foundation	10,000,000	5,871,542	74,484	0	5,946,026	4,053,974
Northwestern University	10,000,000	5,871,542	74,484	0	5,946,026	4,053,974
LACERA	10,000,000	5,871,542	74,484	0	5,946,026	4,053,974
Textron Master Trust	10,000,000	5,871,542	74,484	0	5,946,026	4,053,974
Wachovia Investors, Inc. (First Union)	7,500,000	4,403,657	55,863	0	4,459,520	3,040,480
Pension Commissioners of City of LA	5,000,000	2,935,773	37,242	0	2,973,015	2,026,985
Princess Private Equity	5,000,000	2,935,773	37,242	0	2,973,015	2,026,985
Hillside Capital Incorporated	3,500,000	2,055,040	26,070	0	2,081,110	1,418,890
Hamilton Lane-Carpenters Fund	3,000,000	1,761,464	22,345	0	1,783,809	1,216,191
UNISYS Master Trust	3,000,000	1,761,464	22,345	0	1,783,809	1,216,191
Venture Investment Associates III, L.P.	2,300,000	1,350,455	17,132	0	1,367,587	932,413
Fleet Growth Resources (Summit)	2,000,000	1,174,309	14,897	0	1,189,206	810,794
S.R. One Limited	2,000,000	1,174,309	14,897	0	1,189,206	810,794
QFinance (Pharma BioDevelopment)	2,000,000	1,174,309	14,897	0	1,189,206	810,794
Private Equity Holdings II, Ltd.	1,000,000	587,154	7,448	0	594,602	405,398
	\$116,300,000	\$68,286,047	\$866,250	\$0	\$69,152,297	\$47,147,703
<u>General Partner</u>						
CHP II Management, LLC.	1,174,747	689,758	4,593	4,157	698,508	476,239
Total Partnership	\$117,474,747	\$68,975,805	\$870,843	\$4,157	\$69,850,805	\$47,623,942

CHP II, L.P.
Statement of Partners' Distributive Share of Net Assets
For the Period Ended September 30, 2004

	Private Securities	Public Securities	Cash	Other Assets	Total Assets	Accrued Expenses	Net Assets 09/30/04
<u>Limited Partners</u>							
State Teachers Ret. System of Ohio	\$7,088,138	\$5,728,799	\$6,041	\$99,628	\$12,922,606	(\$5,417)	\$12,917,189
Nassau Capital Funds	2,362,712	1,909,599	2,014	33,209	4,307,534	(1,805)	4,305,729
Robert Wood Johnson Foundation	2,362,712	1,909,599	2,014	33,209	4,307,534	(1,805)	4,305,729
Northwestern University	2,362,712	1,909,599	2,014	33,209	4,307,534	(1,805)	4,305,729
LACERA	2,362,712	1,909,599	2,014	33,209	4,307,534	(1,805)	4,305,729
Textron Master Trust	2,362,712	1,909,599	2,014	33,209	4,307,534	(1,805)	4,305,729
Wachovia Investors, Inc. (First Union)	1,772,035	1,432,199	1,510	24,907	3,230,651	(1,354)	3,229,297
Pension Commissioners of City of LA	1,181,356	954,800	1,007	16,605	2,153,768	(903)	2,152,865
Princess Private Equity	1,181,356	954,800	1,007	16,605	2,153,768	(903)	2,152,865
Hillside Capital Incorporated	826,949	668,360	705	11,623	1,507,637	(632)	1,507,005
Hamilton Lane-Carpenters Fund	708,813	572,879	604	9,963	1,292,259	(541)	1,291,718
UNISYS Master Trust	708,813	572,879	604	9,963	1,292,259	(541)	1,291,718
Venture Investment Associates III, L.P.	543,424	439,208	463	7,638	990,733	(415)	990,318
Fleet Growth Resources (Summit)	472,542	381,920	403	6,642	861,507	(361)	861,146
S.R. One Limited	472,542	381,920	403	6,642	861,507	(361)	861,146
QFinance (Pharma BioDevelopment)	472,542	381,920	403	6,642	861,507	(361)	861,146
Private Equity Holdings II, Ltd.	236,271	190,959	201	3,321	430,752	(181)	430,571
	\$27,478,341	\$22,208,638	\$23,421	\$386,224	\$50,096,624	(\$20,995)	\$50,075,629
<u>General Partner</u>							
CHP II Management, LLC.	277,559	224,330	237	3,901	506,027	(212)	505,815
Total Partnership	\$27,755,900	\$22,432,968	\$23,658	\$390,125	\$50,602,651	(\$21,207)	\$50,581,444

CHP II, L.P.
Statement of Partners' Capital Accounts *
For the Nine Months Ended September 30, 2004

<u>Limited Partner</u>	Partners' Capital 01/01/04	Net Capital Contribution	Non-Portfolio Income	Net Investment Income	Realized Gains (Losses)	Total Income	Unrealized Gains (Losses)	Distributions	Partners' Capital 09/30/04
State Teachers Ret. System of Ohio	\$9,611,356	\$2,831,473	\$203	(\$548,460)	\$0	(\$548,257)	\$1,022,617	\$0	\$12,917,189
Nassau Capital Funds	3,203,786	943,823	68	(182,821)	0	(182,753)	340,873	0	4,305,729
Robert Wood Johnson Foundation	3,203,786	943,823	68	(182,821)	0	(182,753)	340,873	0	4,305,729
Northwestern University	3,203,786	943,823	68	(182,821)	0	(182,753)	340,873	0	4,305,729
Textron Master Trust	3,203,786	943,823	68	(182,821)	0	(182,753)	340,873	0	4,305,729
LACERA	3,203,786	943,823	68	(182,821)	0	(182,753)	340,873	0	4,305,729
Wachovia Investors (First Union)	2,402,840	707,867	51	(137,115)	0	(137,064)	255,654	0	3,229,297
Pension Commissioners-City of LA	1,601,893	471,912	34	(91,410)	0	(91,376)	170,436	0	2,152,865
Princess Private Equity	1,601,893	471,912	34	(91,410)	0	(91,376)	170,436	0	2,152,865
Hillside Capital Incorporated	1,121,321	330,342	24	(63,987)	0	(63,963)	119,305	0	1,507,005
Hamilton Lane-Carpenters Fund	961,134	283,148	20	(54,846)	0	(54,826)	102,262	0	1,291,718
UNISYS Master Trust	961,134	283,148	20	(54,846)	0	(54,826)	102,262	0	1,291,718
Venture Investment Associates III	736,870	217,080	16	(42,049)	0	(42,033)	78,401	0	990,318
Fleet Growth Resources	640,757	188,765	14	(36,564)	0	(36,550)	68,174	0	861,146
S.R. One Limited	640,757	188,765	14	(36,564)	0	(36,550)	68,174	0	861,146
QFinance (Pharma BioDevelopment)	640,757	188,765	14	(36,564)	0	(36,550)	68,174	0	861,146
Private Equity Holdings II, Ltd.	320,376	94,383	7	(18,282)	0	(18,275)	34,087	0	430,571
	\$37,260,018	\$10,976,675	\$791	(\$2,126,202)	\$0	(\$2,125,411)	\$3,964,347	\$0	\$50,075,629
<u>General Partner</u>									
CHP II Management, LLC.	97,240	58,209	8	(21,477)	0	(21,469)	40,044	0	174,024
Total Partnership	\$37,357,258	\$11,034,884	\$799	(\$2,147,679)	\$0	(\$2,146,880)	\$4,004,391	\$0	\$50,249,653

*-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 September 30, 2004

	Partners' Contribution Account	Non-Portfolio Income	Net Investment Income	Realized Gains (Losses)	Total Income	Unrealized Gains (Losses)	Distributions	Partners' Account
<u>Limited Partners</u>								
State Teachers Ret. System of Ohio	\$17,838,082	\$16,910	(\$3,376,731)	(\$3,320,034)	(\$6,679,855)	\$1,758,962	\$0	\$12,917,189
Nassau Capital Funds	5,946,026	5,638	(1,125,578)	(1,106,679)	(2,226,619)	586,322	0	4,305,729
Robert Wood Johnson Foundation	5,946,026	5,638	(1,125,578)	(1,106,679)	(2,226,619)	586,322	0	4,305,729
Northwestern University	5,946,026	5,638	(1,125,578)	(1,106,679)	(2,226,619)	586,322	0	4,305,729
LACERA	5,946,026	5,638	(1,125,578)	(1,106,679)	(2,226,619)	586,322	0	4,305,729
Textron Master Trust	5,946,026	5,638	(1,125,578)	(1,106,679)	(2,226,619)	586,322	0	4,305,729
Wachovia Investors, Inc. (First Union)	4,459,520	4,229	(844,183)	(830,009)	(1,669,963)	439,740	0	3,229,297
Pension Commissioners of City of LA	2,973,015	2,819	(562,789)	(553,341)	(1,113,311)	293,161	0	2,152,865
Princess Private Equity	2,973,015	2,819	(562,789)	(553,341)	(1,113,311)	293,161	0	2,152,865
Hillside Capital Incorporated	2,081,110	1,972	(393,952)	(387,338)	(779,318)	205,213	0	1,507,005
Hamilton Lane-Carpenters Fund	1,783,809	1,691	(337,674)	(332,004)	(667,987)	175,896	0	1,291,718
UNISYS Master Trust	1,783,809	1,691	(337,674)	(332,004)	(667,987)	175,896	0	1,291,718
Venture Investment Associates III	1,367,587	1,297	(258,884)	(254,536)	(512,123)	134,854	0	990,318
Fleet Growth Resources (Summit)	1,189,206	1,128	(225,115)	(221,336)	(445,323)	117,263	0	861,146
S.R. One Limited	1,189,206	1,128	(225,115)	(221,336)	(445,323)	117,263	0	861,146
QFinance (Pharma BioDevelopment)	1,189,206	1,128	(225,115)	(221,336)	(445,323)	117,263	0	861,146
Private Equity Holdings II, Ltd.	594,602	564	(112,558)	(110,668)	(222,662)	58,631	0	430,571
	\$69,152,297	\$65,566	(\$13,090,469)	(\$12,870,678)	(\$25,895,581)	\$6,818,913	\$0	\$50,075,629
<u>General Partner</u>								
CHP II Management, LLC.	698,508	663	(132,228)	(130,006)	(261,571)	68,878	0	505,815
Total Partnership	\$69,850,805	\$66,229	(\$13,222,697)	(\$13,000,684)	(\$26,157,152)	\$6,887,791	\$0	\$50,581,444

CHP II, L.P.
Comprehensive Fund Investment Summary
For the Period from April 25, 2000 to September 30, 2004

Portfolio Company	Investment Cost	Assigned Fair Value	Unrealized Gain (Loss)	Realized Value	Realized Gain (Loss)	Cumulative Investment Return
<u>Public Company Securities</u>						
Alnylam Pharmaceuticals, Inc.	\$8,959,015	\$9,036,878	\$77,863	\$0	\$0	\$77,863
Momenta Pharmaceuticals, Inc.	6,823,506	13,396,090	6,572,584	0	0	6,572,584
<u>Private Company Investments</u>						
AthenaHealth, Inc.	5,000,001	8,181,820	3,181,819	0	0	3,181,819
Cardio-Optics, inc.	3,001,279	3,001,279	0	0	0	0
CodeRyte, Inc.	2,780,004	2,780,004	0	0	0	0
Intellicare America, Inc.	4,000,000	2,464,585	(1,535,415)	0	0	(1,535,415)
Mobile Medical Corporation	4,000,000	4,000,000	0	0	0	0
Molecular Mining Corporation	1,509,060	28,212	(1,409,060)	71,788	0	(1,409,060)
Replication Medical, Inc.	2,500,000	2,500,000	0	0	0	0
Rib-X Pharmaceuticals, Inc.	4,000,000	4,000,000	0	0	0	0
SirTris Pharmaceuticals, Inc.	800,000	800,000	0	0	0	0
<u>Fully Disposed Investments</u>						
IPhysicianNet, Inc.	5,757,897	0	0	0	(5,757,897)	(5,757,897)
ParkStone Medical Information Systems	7,575,278	0	0	332,491	(7,242,787)	(7,242,787)
	\$56,706,040	\$50,188,868	\$6,887,791	\$404,279	(\$13,000,684)	(\$6,112,893)

TO: The Limited Partners

FROM: John J. Park

DATE: October 15, 2004

SUBJECT: Portfolio Valuations for September 30, 2004

Investment securities held by CHP II, L.P. (the “Partnership”) have been valued in accordance with the Standard Valuation Policy of the Partnership. In accordance with the Policy, we propose to value restricted securities at cost, until subsequent events of a significant nature indicate the need for a change. This memorandum delineates the portfolio valuation calculations as proposed by the General Partner for those investments not valued at cost as of September 30, 2004.

ALNYLAM PHARMACEUTICALS – On May 28, 2004, Alnylam (NASDAQ:ALNY) completed an initial public offering priced at \$6.00 per share, selling 5.75 million shares, with net proceeds to the company of \$32.4 million. Concurrent with the completion of the IPO, the company enacted a reverse split on all outstanding shares at a ratio of 1.9 to 1, with all shares of preferred stock automatically being converted to common stock. Accordingly, all of the CHP II holdings of preferred stock have converted into 1,859,370 shares of Alnylam common stock, with a combined cost basis of \$7,564,015. In addition, CHP II purchased 232,500 shares of Alnylam common stock in the IPO, at a total cost of \$1,395,000.

As of September 30, 2004, CHP II holds 2,091,870 shares of Alnylam common stock that are subject to either underwriter or SEC short-swing sale restrictions until the end of November 2004. In accordance with the Standard Valuation Policy of CHP II, L.P., until the sale restriction period ends, we propose to value these shares at a 25% discount from the closing market price for Alnylam on September 30, 2004 of \$5.76 per share. This results in a total valuation of \$9,036,878, with an unrealized gain of \$77,863 on our cost basis of \$8,959,015 as of September 30, 2004. As the result of a market price decrease during the quarter, this valuation represents a decrease of \$2,824,025 from the valuation for Alnylam as of June 30, 2004.

Value Computation:

Common Stock
2,091,870 shares x \$5.76 x 75% = \$9,036,878

CHP II, L.P.
Portfolio Valuations as of September 30, 2004
Page 2 of 3

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 unrealized gain of \$3,181,819 on our cost basis of \$5,000,001 as of September 30, 2004. This valuation represents no change from the valuation for IntelliCare as of June 30, 2004.

Value Computation:

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

INTELLICARE – In May 2002, IntelliCare completed a \$10.15 million second round financing at \$0.1923 per share, valuing the company at \$20.15 post-money. New investor Canaan Partners led the financing, with CHP II contributing \$1 million. We propose to value our investment on the basis of this financing, resulting in an unrealized loss of \$1,535,415 on our cost basis of \$4,000,000 as of September 30, 2004. This valuation represents no change from the valuation for IntelliCare as of June 30, 2004.

Value Computation:

$$\begin{array}{rcl} \text{Series B Convertible Preferred Stock} & & \\ 7,616,146 \text{ CSE's} \times \$0.1923 & = & \$1,464,585 \\ \text{Series C Convertible Preferred Stock} & & \\ 5,200,208 \text{ shares} \times \$0.1923 & = & \underline{\underline{1,000,000}} \\ \text{Total Value} & & \underline{\underline{\$2,464,585}} \end{array}$$

CHP II, L.P.**Portfolio Valuations as of September 30, 2004****Page 3 of 3**

MOLECULAR MINING - During the first quarter of 2003, as the result of an inability to attain additional outside financing and a lack of sufficient operational progress, management and the Board of Directors decided to cease operations and sell the assets of the company. Consequently, we reduced the carrying value of our investment to \$100,000, reflecting a conservative estimate of our share of the Series B Preferred proceeds from liquidation. Since December 2003, the company has distributed \$71,788 to CHP II, representing our share of the liquidation proceeds to-date. As a result, we have reduced the carrying value for the investment to \$28,212 (\$100,000 - \$71,788). At this valuation, our investment shows an unrealized loss of \$1,409,061 on a remaining cost basis of \$1,437,273 as of September 30, 2004. Taking into account the \$1,237 in proceeds received during this quarter, this valuation represents a decrease of \$1,237 from our carrying value for Molecular Mining as of June 30, 2004.

Value Computation:

$$\begin{array}{rcl} \text{Series B Convertible Preferred Stock} & & \\ 737,422 \text{ shares} & = & \underline{\underline{\$28,212}} \end{array}$$

MOMENTA PHARMACEUTICALS – On June 21, 2004, Momenta (NASDAQ:MNTA) completed an initial public offering of its securities priced at \$6.50 per share, selling 6.15 million shares, with net proceeds to the company of \$37.2 million. Concurrent with the completion of the IPO, the company enacted a 1 to 1.28 split on all outstanding shares, with all shares of preferred stock automatically being converted to common stock. Accordingly, all of the CHP II holdings of preferred stock have been 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.

As of September 30, 2004, CHP II holds 2,170,286 shares of Momenta common stock that are subject to either underwriter or SEC short-swing sale restrictions until the end of December 2004. In accordance with the Standard Valuation Policy of CHP II, L.P., until the sale restriction period ends, we propose to value these shares at a 25% discount from the closing market price for Momenta on September 30, 2004 of \$8.23 per share. This results in a total valuation of \$13,396,090, with an unrealized gain of \$6,572,584 on our cost basis of \$6,823,506 as of September 30, 2004. As the result of a market price decrease during the quarter, this valuation represents a decrease of \$1,009,183 from the valuation for Momenta as of June 30, 2004.

Value Computation:

$$\begin{array}{rcl} \text{Common Stock} & & \\ 2,170,286 \text{ shares} \times \$8.23 \times 75\% & = & \underline{\underline{\$13,396,090}} \end{array}$$

CHP II, L.P.

Report for the Quarter Ended September 30, 2004

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CHP II, L.P.
Portfolio Investment Valuation Summary
For the Quarter ended September 30, 2004

<u>Portfolio Company</u>	<u>Investment</u>	<u>Fair Value</u> <u>09/30/04</u>	<u>Fair Value</u> <u>06/30/04</u>	<u>Change from</u> <u>Prior Quarter</u>	<u>Reason for Change</u>
Alnylam Pharmaceuticals, Inc.	\$8,959,015	\$9,036,878	\$11,860,903	(\$2,824,025)	Public Market Price Decrease. (note 1)
AthenaHealth, Inc.	\$5,000,001	\$8,181,820	\$8,181,820	\$0	
CardioOptics, Inc.	\$3,001,279	\$3,001,279	\$3,001,279	\$0	
CodeRyte, Inc.	\$2,780,004	\$2,780,004	\$2,780,004	\$0	
Intellicare America, Inc.	\$4,000,000	\$2,464,585	\$2,464,585	\$0	Partial Receipt of Dissolution Proceeds Public Market Price Decrease. (note 2)
Mobile Medical Industries	\$4,000,000	\$4,000,000	\$4,000,000	\$0	
Molecular Mining Corporation	\$1,437,273	\$28,212	\$29,449	(\$1,237)	
Momenta Pharmaceuticals	\$6,823,506	\$13,396,090	\$14,405,273	(\$1,009,183)	
Replication Medical	\$2,500,000	\$2,500,000	\$2,500,000	\$0	New Investment (Note 3)
Rib-X Pharmaceuticals	\$4,000,000	\$4,000,000	\$4,000,000	\$0	
Sittris Pharmaceuticals	\$800,000	\$800,000	\$0	\$800,000	
Total Portfolio	\$43,301,078	\$50,188,868	\$53,223,313	\$3,034,445	

1. After the completion of the Alnylam IPO in late May 2004, CHP II holds 2,091,870 shares of Alnylam common stock. These shares are currently subject to trading restrictions and are accordingly valued at a 25% discount from the closing market price for Alnylam common stock (NASDAQ: ALNY) as of September 30, 2004 of \$5.76 per share. The valuation decrease reflects the change from the closing price as of June 30, 2004 of \$7.56 per share.
2. After the completion of the Momenta IPO in late June 2004, CHP II holds 2,170,286 shares of Momenta common stock. These shares are currently subject to trading restrictions and are accordingly valued at a 25% discount from the closing market price for Momenta common stock (NASDAQ:MNTA) as of September 30, 2004 of \$8.23 per share. The valuation decrease reflects the change from the closing price as of June 30, 2004 of \$8.85 per share.
3. On August 16, 2004, CHP II contributed \$800,000 to the \$5 million Series A preferred financing for Sittris Pharmaceuticals.

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

Therapeutics Based on the Novel Biological Mechanism of RNA Interference

Period Summary: 3rd Quarter 2004

Alnylam (Nasdaq: ALNY) made good progress on both the scientific and business fronts. The company presented data on gene silencing related to Parkinson's disease and continued to advance its therapeutic development programs. On the business front, the company hired a Chief Patent Counsel and secured rights to key patents and patent estates, advancing their efforts to build a dominant intellectual property estate in the area of RNAi therapeutics.

Data were presented from Alnylam's Direct RNAi program for Parkinson's disease at the Annual Meeting of the Society for Neuroscience. These data, generated in collaboration with the Mayo Clinic, showed effective and sustained silencing by siRNAs of the gene for alpha-synuclein in cultured cells. Alpha-synuclein is a protein whose over-expression has been strongly implicated as an underlying cause of Parkinson's disease. These siRNA molecules are now the subject of evaluation in animal models.

In September, Alnylam appointed Robert Millman as Chief Intellectual Property Counsel. Mr. Millman has over 15 years of experience in intellectual property in the biotechnology sector, most notably as Chief Patent Counsel for Celera Genomics Group. During the quarter, the company made significant progress in strengthening its intellectual property ("IP") estate in RNAi therapeutics, including license agreements with the Max Planck Society related to MicroRNAs, and Hybridon covering the treatment of ocular diseases with oligonucleotides, such as siRNAs, that target VEGF.

Financial results for the period show total revenues of \$1.4 million that were primarily from Alnylam's second collaboration and license agreement with Merck, related to therapeutics for ocular diseases, which was entered into in June 2004. Total research and development expenses were \$4.8 million for the quarter, as compared to \$4.2 million for the prior year period. Research and development expenses were higher due to expenses incurred in connection with the Merck AMD program and the expansion of the Company's research and development group. General and administrative expenses were \$3.0 million for the quarter, as compared to \$2.3 million for the prior year period. The increase resulted primarily from the expansion of the Company's management team, the additional costs associated with operating as a public company and increased noncash stock-based compensation expenses.

At September 30, 2004, Alnylam had total cash and cash equivalents and marketable securities of \$44.9 million. The company has an equipment line of credit for \$10.0 million of which \$3.0 million is available. The Company has updated its financial guidance and expects to report cash and marketable securities between \$35 to \$40 million at yearend.

ALNYLAM PHARMACEUTICALS (cont.)

FINANCIAL SUMMARY: (\$000)

Statement of Operations:

	<u>Nine Months Ended</u>		<u>Three Months Ended</u>	
	<u>09/30/04</u>	<u>09/30/03</u>	<u>09/30/04</u>	<u>09/30/03</u>
Revenues	1,632	74	1,367	74
Research & Development	19,425	11,884	4,831	8,833
General & Administrative	<u>8,940</u>	<u>4,722</u>	<u>2,962</u>	<u>2,334</u>
Loss from Operations	-26,733	-16,532	-6,426	-11,093
Other Income (Expense)	<u>-221</u>	<u>34</u>	<u>10</u>	<u>-11</u>
Net Income (Loss)	-26,954	-16,498	-6,416	-11,104
Earnings Per Share (\$)	-\$3.14	-\$24.89	-\$0.33	-\$9.79

Summary Balance Sheet as of September 30, 2004:

Cash	\$47,250	Accounts Payable	\$ 1,723
Receivables	916	Accrued Expenses	4,917
Other Current Assets	<u>1,345</u>	Deferred Revenue	<u>4,333</u>
Total Current Assets	49,511	Total Current Liabilities	10,973
Net PP&E	8,969	Other Liabilities (LOC)	6,591
Intangible & Other Assets	<u>4,065</u>	Shareholders Equity (Net)	<u>44,981</u>
Total Assets	<u>\$62,545</u>	Total Liabilities & Equity	<u>\$62,545</u>

Comments:

The company completed its IPO during the quarter receiving net proceeds of \$30 million. Current capital is forecast to be sufficient to support operations well into 2006.

CHP II, L.P. Holdings:

Common Stock	2,091,870 shares
Assigned Fair Value (2,091,870 x \$5.76 x 75%)	\$9,036,878
Investment Cost	\$8,959,015
Cost per Share	\$4.283
% Ownership (Full Dilution)	8.63%
Company Valuation at CHP II Cost	\$103.8 million
Company Valuation at Market (\$5.76 per share)	\$139.6 million

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

Web-Based Business Practice Management Services for Physician Offices

Period Summary: 3rd Quarter 2004

Athena continues to meet or exceed its income statement and cash flow goals for 2004. Revenues grew by 11% over the prior quarter and sales are 199% of plan YTD. Gross margins for the quarter grew to 46%, exceeding plan by 2% and driving better than expected results for both EBITDA and net loss. Operating cash flow was positive for the quarter and is \$1.5 million ahead of plan for the year.

Revenue was slightly behind of plan for the quarter, due to the slower than forecast implementations earlier in the year. Implementations for the quarter were strong, totaling \$5.6 million, 129% of plan, and closing the YTD budget gap in installed business. Gross margin exceeded plan and showed improvement in each month of the quarter. Operating expenses were higher than plan primarily due to accelerated sales and marketing expenditures. New contract signings during the period totaled \$5.3 million, 8% lower than quota for the period, and driving the YTD sales figures to 119% of plan. The pipeline for the next quarter is expected to deliver results in line with the \$6.1 million quota for the period.

Athena's current annualized revenue run rate is \$42 million, on a contract base of \$56 million. The company is operating at positive EBITDA, with sustainable profitability on the horizon. The company has a strong balance sheet coupled with a robust recurring revenue model and strong margins. We view Athena as a very attractive candidate for a liquidity event in the next 12-15 months and remain excited about the prospects for our investment.

ATHENAHEALTH, INC. (cont.)

FINANCIAL RESULTS: (\$000)

Overview: (FYE 12/31)

	<i>2001 Actual</i>	<i>2002 Actual</i>	<i>2003 Actual</i>	<i>2004 Budget*</i>
Revenues	3,459	11,985	24,666	39,995
Direct Expenses	6,480	10,137	16,148	22,312
SG&A	9,278	8,860	10,501	17,055
EBITDA	-12,299	-7,012	-1,983	628
Depreciation	1,636	2,493	2,894	3,435
Interest and Taxes	855	-55	-475	-955
Net Income	-13,080	-9,560	-5,352	-3,762

Last Three Months: Quarter Ended September 30, 2004

	<i>Actual</i>	<i>Budget*</i>	<i>Variance</i>
Revenues	10,447	10,687	-240
Direct Expenses	5,656	5,861	+205
SG&A	4,256	4,662	-406
EBITDA	535	164	+371
Depreciation	885	884	-1
Interest and Taxes	385	247	-138
Net Income	-735	-967	+232

Fiscal Year-to-Date: Nine Months Ended September 30, 2004

	<i>Actual</i>	<i>Budget*</i>	<i>Variance</i>
Revenues	28,074	28,190	-116
Direct Expenses	15,540	16,205	+665
SG&A	11,688	11,946	+258
EBITDA	846	39	+807
Depreciation	2,468	2,493	+25
Interest and Taxes	941	715	-226
Net Income	-2,563	-3,169	+606

* - Budget Revised on April 30, 2004

ATHENAHEALTH, INC. (cont.)

Summary Balance Sheet as of September 30, 2004: (\$000)

Cash	\$14,731	A/P and Accrued Expenses	\$ 4,214
Accounts Receivable	5,010	Deferred Revenue	2,512
Other Current Assets	<u>513</u>	Current Portion of Debt	<u>5,709</u>
Total Current Assets	20,254	Total Current Liabilities	12,435
Net PP&E	3,321	Long Term Debt	6,071
Intangibles (Net)	2,260	Shareholders Equity	51,039
Other Assets	<u>194</u>	Retained Earnings	<u>-43,516</u>
Total Assets	<u>\$26,029</u>	Total Liabilities & Equity	<u>\$26,029</u>

Comments:

Athena is well ahead of its cash flow forecast for the year due to lower than anticipated capital investment and better operating performance. Athena has a strong balance sheet to support its building infrastructure investment. Operational cash burn has turned positive and is expected to continue to show improvement throughout the next year.

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)	5.5%
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Company Valuation at CHP II Cost	\$90.5 million
Company Valuation at Assigned Fair Value	\$148.1 million

Outlook:

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

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

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

Period Summary: 3rd Quarter 2004

Cardio-Optics made steady progress on its product development plan for its coronary lead placement kit, and remains on track to submit a 510(k) and begin human testing in early 2005. During the quarter, the Board engaged Costello O'Hara to recruit a CEO with the skills to take Cardio-Optics from the R&D focused organization it is today, into a market stage company. Several excellent candidates have been identified and we are hopeful the process will be successfully concluded early next year.

The company has completed the design and prototype development phase. Operations are within the original plan projections, with the new system expected to be ready for animal testing beginning in December. Regulatory approval for human use will be pursued in parallel in both the United States and Europe. The testing protocol has been approved and is ready to go at one U.S. based site. Additional testing sites located in Ireland and the Czech Republic. We expect the first human testing will begin in February 2005.

Financial results for the quarter reflect the operating plan that was put into effect in April of this year. Management continues to do a fine job managing expenditures to budget and the company remains ahead of its cash flow forecast. According to the operating plan, cash burn increased to an average of \$300K per month over the quarter. The company is currently \$100k ahead of its cash forecast and current resources are forecasted to last into Q3 of 2005. The plan calls for no additions to the current staffing until the beginning of human testing, with additional resources required being outsourced.

We are excited about the prospects for the coronary lead placement product. Management has developed an accelerated development plan that would run the product engineering phase in tandem with the human testing and accelerate product shipping by six months. The plan would require an additional investment of \$1.25 million by the current investor syndicate. With the company on a clear path to becoming a market stage company, we remain upbeat about the prospects for success at Cardio-Optics.

CARDIO-OPTICS, INC. (cont.)

FINANCIAL RESULTS: (\$000)

Overview: (FYE 12/31)

	<i>2001 Actual</i>	<i>2002 Actual</i>	<i>2003 Actual*</i>	<i>2004 Budget**</i>
Revenues	0	0	0	0
Cost of Sales	0	0	0	0
R&D Expenses	451	1,000	1,031	1,527
SG&A	618	1,527	1,036	1,209
EBIT	-1,069	-2,527	-2,067	-2,736
Interest and Taxes	5	23	-31	20
Net Income	-1,064	-2,504	-2,098	-2,716

*- Subject to Audit

Last Three Months: Quarter Ended September 30, 2004

	<i>Actual</i>	<i>Budget**</i>	<i>Variance</i>
Revenues	0	0	0
Cost of Sales	0	0	0
R&D Expenses	592	683	+91
SG&A	308	265	-43
EBIT	-900	-948	+48
Interest and Taxes	3	0	+3
Net Income	-897	-948	+51

Fiscal Year-to-Date: Nine Months Ended September 30, 2004

	<i>Actual</i>	<i>Budget**</i>	<i>Variance</i>
Revenues	0	0	0
Cost of Sales	0	0	0
R&D Expenses	1,007	1,235	+228
SG&A	759	650	-109
EBIT	-1,766	-1,885	+119
Interest and Taxes	2	0	+2
Net Income	-1,764	-1,885	+121

** - 2004 Budget Approved in April 2004

CARDIO-OPTICS, INC. (cont.)

Summary Balance Sheet as of September 30, 2004: (\$000)

Cash	\$ 1,938	Accounts Payable	\$ 40
Accounts Receivable	0	Accrued Expenses	0
Other Current Assets	<u>0</u>	Other Current Liabilities	<u>164</u>
Total Current Assets	1,938	Total Current Liabilities	204
Net PP&E	99	Long Term Debt - Lease line	11
Intangibles (Net)	0	Shareholders Equity	10,777
Other Assets	<u>26</u>	Retained Earnings	<u>-8,929</u>
Total Assets	<u>\$ 2,063</u>	Total Liabilities & Equity	<u>\$ 2,063</u>

Comments:

The current investor group provided \$3 million in financing in late May. This financing will provide the company with sufficient funding to likely complete a 510(k) approval process and a through a first series of human testing.

CHP II, L.P. Holdings:

Series A Convertible Preferred Stock	1,938,310 shares
Assigned Fair Value	Investment Cost
Investment Cost	\$3,001,279
Cost per Share	\$1.55
% Ownership (Full Dilution)	26.1%
Company Valuation at CHP II Cost	\$11.5 million
Company Valuation at Assigned Fair Value	\$11.5 million

Outlook:

We remain enthusiastic about the prospects for Cardio-Optics.

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

Web-based Automated Coding of Transcribed Medical Documents

Period Summary: 3rd Quarter 2004

During the quarter, CodeRyte has made significant progress, specifically in terms of sales/new contracts and personnel recruiting. During the quarter, the company won new contracts that represent over \$1 million in annual revenues and the company is more than \$1 million ahead of its sales plan. However, growth related implementation issues have hindered revenues, which are below expectations. On the recruiting front, the company filled multiple junior management positions in sales, engineering, coding and implementation. The company is still looking to fill some senior management positions including Chief Financial Officer and Chief Technical Officer.

Implementation has transitioned to the newly formed client services team, headed by the newly hired Senior Vice President of Implementation and Customer Service, Julie Stern. The client services group, while under-staffed, is performing well under significant internal and customer driven pressure. The team has cleaned out much of the implementation backlog and expects all current clients to be in active implementation or “live” by yearend. With over \$3 million of annualized revenue to be implemented, the speed and cost of implementation will define the financial success of Fiscal 2005 and the size and scope of the company in 2006. Continued high-quality performance by the client services group as it grows to meet the implementation demand will be crucial.

In the financial results for the first quarter of Fiscal 2005 (FYE 6/30), revenues were under plan by 35%, a reflection of the implementation backlog. The revenue variance was more than offset by lower expenses, primarily due to lower headcount than budgeted. The company processed almost 500,000 charts in September, an increase of 40% over the end of last quarter.

Goals for the remainder of calendar 2004 include; completion of the senior management team, implementation of operational improvements designed to reduce coding backlog and provide for better quality assurance in anticipation of increased automation, development of a technology plan to balance rapid growth with safe secure technology scaling and expansion of products offerings into the gynecology and orthopedic markets.

CODERYTE, INC. (cont.)

FINANCIAL RESULTS: (\$000)

Overview: (FYE 06/30)

	<i>2002 Actual</i>	<i>2003 Actual</i>	<i>2004 Prelim.*</i>	<i>2005 Plan**</i>
Revenues	332	743	1,502	7,281
Cost of Sales	0	0	0	0
Operating Expenses	1,762	2,576	2,682	7,892
EBITDA	-1,430	-1,833	-1,180	-611
Depreciation & Amort.	23	12	7	226
Other Income (Expense)	-96	462	-169	-7
Net Income	-1,549	-1,383	-1,356	-844

*- Subject to Audit

** - Subject to Board Approval

Last Three Months: Quarter Ended September 30, 2004

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	541	847	-306
Cost of Sales	0	0	0
Operating Expenses	1,055	1,468	+413
EBITDA	-514	-621	+107
Depreciation & Amort.	2	31	+29
Other Income (Expense)	24	0	+24
Net Income	-492	-652	+160

Fiscal Year-to-Date: Three Months Ended September 30, 2004

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	541	847	-306
Cost of Sales	0	0	0
Operating Expenses	1,055	1,468	+413
EBITDA	-514	-621	+107
Depreciation & Amort.	2	31	+29
Other Income (Expense)	24	0	+24
Net Income	-492	-652	+160

CODERYTE, INC. (cont.)

Summary Balance Sheet as of September 30, 2004: (\$000)

Cash	\$ 9,797	Accounts Payable	\$ 128
Accounts Receivable	312	Accrued Expenses	462
Other Current Assets	<u>66</u>	Deferred Revenue	<u>833</u>
Total Current Assets	10,176	Total Current Liabilities	1,423
Net PP&E	13	Long Term Debt - Lease line	0
Intangibles (Net)	0	Shareholders Equity	16,005
Other Assets	<u>15</u>	Retained Earnings	<u>-7,224</u>
Total Assets	<u>\$10,204</u>	Total Liabilities & Equity	<u>\$10,204</u>

Comments:

The company is currently well ahead of its cash forecast. Current capital will be more than adequate to support operations as business expands and through the achievement of cash flow breakeven in the later half of calendar 2005.

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
% Ownership (Full Dilution)	15.0%
Company Valuation at CHP II Cost	\$18.5 million
Company Valuation at Assigned Fair Value	\$18.5 million

Outlook:

With its superior proprietary technology, a distinct economic advantage over competitive services, and broad applicability in the clinical healthcare market, we 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: 3rd Quarter 2004

Financial results for the third quarter of 2004 produced positive EBITDA, though not at levels forecast due to higher labor costs and delays in new contract implementation. As the period ended, a number of new contracts are pending that will get the company to within \$500K of the \$18 million sales budget for 2005. The main focus on management is to attain a self-sustaining cash flow position without compromising the ability to grow the business as planned. Plans for operating margin improvement, reduced overhead and customer repricing for the lowest margin accounts will all be implemented over the next 90 days.

Revenues for the quarter were 6% below plan due to delays in closing some new accounts and slower growth in the existing customer base. This was offset by better than expected revenue contribution from XL Health, which is now the company's largest client at over \$200K per month in revenue. Gross margin was 5% lower than plan due to slower revenue growth and higher wage expenses. EBITDA was a positive \$51K for the period, versus a budgeted figure of \$107K. Operating expenses were in line with expectations. To provide a further improvement in cash flow, management has implemented a cost reduction totaling \$30K per month in sales, marketing and operations support.

During the quarter, the company received a letter of intent to be acquired for \$17.5 million from a leading IT services firm. Negotiations towards a final agreement were nearing conclusion when at the last minute the acquiring entity placed a financing contingency on the deal, which essentially terminated negotiations. While this was disappointing, the investment banker is working with management to begin a new phase of discussions with potential acquirers.

Management and the investor syndicate are exploring all avenues to improve the company's cash position and focus, including selling some non-core assets that appear not to be highly valued by potential acquirers.

INTELLICARE AMERICA (cont.)

FINANCIAL RESULTS: (\$000)

Overview: (FYE 12/31)

	<i>2001 Actual</i>	<i>2002 Actual</i>	<i>2003 Actual*</i>	<i>2004 Budget**</i>
Revenues	5,483	7,505	13,578	15,007
Cost of Revenues	6,593	6,945	11,932	11,268
SG&A	3,159	4,460	5,026	4,782
EBIT	-4,269	-3,900	-3,380	-1,043
Interest and Taxes	60	-3	-22	-71
Net Income	-4,209	-3,903	-3,402	-1,114

* - Subject to Audit

Last Three Months: Quarter Ended September 30, 2004

	<i>Actual</i>	<i>Budget**</i>	<i>Variance</i>
Revenues	3,690	3,922	-232
Cost of Revenues	2,089	2,011	-78
SG&A	1,813	1,868	+55
EBIT	-212	43	-255
Interest and Taxes	-17	-24	+7
Net Income	-229	19	-248

Fiscal Year-to-Date: Nine Months Ended September 30, 2004

	<i>Actual</i>	<i>Budget**</i>	<i>Variance</i>
Revenues	10,738	10,945	-207
Cost of Revenues	6,086	6,053	-33
SG&A	5,893	6,090	+197
EBIT	-1,241	-1,198	-43
Interest and Taxes	-28	-44	+16
Net Income	-1,269	-1,242	-27

** - 2004 Budget Revised in April

INTELLICARE AMERICA (cont.)

Summary Balance Sheet as of September 30, 2004: (\$000)

Cash	\$ 1,224	Accounts Payable	\$ 517
Accounts Receivable	1,718	Accrued Payroll	461
Other Current Assets	<u>144</u>	Other Current Liabilities	<u>1,379</u>
Total Current Assets	3,086	Total Current Liabilities	2,357
Net PP&E	1,212	Long Term Liabilities	504
Intangibles (Net)	463	Shareholders Equity	18,865
Other Assets	<u>42</u>	Retained Earnings	<u>-16,923</u>
Total Assets	<u>\$ 4,803</u>	Total Liabilities & Equity	<u>\$ 4,803</u>

Comments:

The company is currently \$117K behind on its cash flow budget. Management expects to be cash flow positive by the end of Q1 2005. Current resources would be sufficient to support the operating plan as currently contemplated.

CHP II, L.P. Holdings:

Series B Convertible Preferred Stock	3,000,000 shares
Assigned Fair Value (\$0.1923 x 7,616,146 CSE's)	\$1,464,585
Investment Cost	\$3,000,000
Cost per Share	\$1.00
Series C Convertible Preferred Stock	5,200,208 shares
Assigned Fair Value	\$1,000,000
Investment Cost	\$1,000,000
Cost per Share	\$0.1923
Series C Preferred Stock Warrants	510,243 shares
Exercise Price Per Share	\$0.1923
% Ownership (Full Dilution)	12.7%
Company Valuation at CHP II Cost	\$31.5 million
Company Valuation at Assigned Fair Value	\$20.2 million

Outlook:

While the company is performing better, our expectations for a return above the current carrying value are low.

MOBILE MEDICAL INDUSTRIES, INC.

Boca Raton, FL

{www.mobilemedicalind.com}

Provider of comprehensive, integrated home-based medical services.

Period Summary: 3rd Quarter 2004

The severe hurricane season experienced in Florida this summer had a direct impact on the financial performance for Mobile Medical. Management estimates the impact of the two large storms that hit during the period to account for over one-third of the revenue shortfall for the period. September would have been the first positive EBITDA month for the company had it not been for Hurricane Jeanne. The team performed well during the quarter in the face of adversity and the business is showing marked improvement in most areas. By yearend, management hopes to complete the acquisition of a \$20 million rehabilitation focused company that will provide significant cross-selling opportunities. The two companies are already working together on a number of marketing initiatives.

Revenues for the quarter were \$10.5 million, up 5% when compared to the previous period, and 26% below budget. Hurricane related business disruptions, delays in opening new markets, and a lack of same-store sales growth have been the principal reasons for this revenue shortfall. Gross margins increased to 45%, from the prior period's 44%, but were lower than the budgeted figure of 53% as a result of lower revenues from the higher margin business segments. Revenue growth and margin improvement remain the primary concerns of management in the coming months. Productivity improvement initiatives coupled with initiatives to establish new markets and increase market share through partnering with rehabilitation centers and hospitals have begun. This has produced a great deal of sales pipeline growth.

Overhead expenses were well under budget due to lower corporate headcount. Operating cash flow decreased 33% from the previous quarter, but has fallen \$700K behind plan for the year. Management expects to be EBITDA positive for the last quarter of 2005.

As reported last quarter, Mobile Medical has a Letter of Intent to acquire a \$20 million revenue company that provides rehabilitation services in independent living, assisted living and skilled nursing facilities in Florida, Tennessee, and Texas. The companies currently share less than a 5% common client base and significant cross-selling opportunities exist between the two organizations. The purchase price would be substantially financed by \$10 million in sub-debt, with an equity infusion of \$5-7 million from the current investors to support working capital. Due diligence is complete and management is hopeful of completing the transaction by the end of the year.

MOBILE MEDICAL INDUSTRIES, INC. (cont.)

FINANCIAL RESULTS: (\$000)

Overview: (FYE 12/31)

	<i>2001 Actual</i>	<i>2002 Actual</i>	<i>2003 Actual</i>	<i>2004 Budget</i>
Revenues	23,911	30,440	33,583	52,566
Direct Expenses	10,967	15,872	17,013	24,743
SG&A	15,197	19,011	23,287	25,800
EBIT	-2,253	-4,443	-6,717	2,023
Interest and Taxes	-1,760	-1,263	-125	-169
Net Income	-4,013	-5,706	-6,842	1,854
EBITDA	-1,248	-3,966	-6,174	+2,727

Last Three Months: Quarter Ended September 30, 2004

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	10,481	14,236	-3,756
Direct Expenses	5,771	6,566	+795
SG&A	5,173	6,703	+1,530
EBIT	-463	968	-1,431
Interest and Taxes	-14	-38	+24
Net Income	-477	+930	-1,407
EBITDA	-336	1,156	-1,492

Fiscal Year-to-Date: Nine Months Ended September 30, 2004

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	30,495	37,047	-6,552
Direct Expenses	16,559	17,511	+952
SG&A	16,605	18,782	+2,177
EBIT	-2,669	754	-3,423
Interest and Taxes	-46	-137	+91
Net Income	-2,715	617	-3,332
EBITDA	-2,282	1,258	-3,540

MOBILE MEDICAL INDUSTRIES, INC. (cont.)

Summary Balance Sheet as of September 30, 2004: (\$000)

Cash	\$ 1,581	Accounts Payable	\$ 864
Accounts Receivable	4,908	Accrued Expenses	2,606
Other Current Assets	<u>1,851</u>	Other Current Liabilities	<u>2,300</u>
Total Current Assets	8,340	Total Current Liabilities	5,770
Net PP&E	1,579	Debt and Other Liabilities	548
Acquired Goodwill (Net)	9,232	Shareholders Equity	39,202
Other Assets	<u>976</u>	Retained Earnings	<u>-25,393</u>
Total Assets	<u>\$20,127</u>	Total Liabilities & Equity	<u>\$20,127</u>

Comments:

The company is \$700K behind on its cash flow forecast. We expect the company to be EBITDA positive starting in Q4 of 2004. While we do not foresee the need for additional operating capital at MMI, the existing investor group has discussed providing \$5-7 million in additional working capital upon the closing of the acquisition mentioned in this report.

CHP II, L.P. Holdings:

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

% Ownership (Full Dilution) 8.2%

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

Outlook:

We are confident that management has turned the corner on improving the financial performance of the company and remain enthusiastic about the prospects for our investment in Mobile Medical.

MOLECULAR MINING CORPORATION

Kingston, Ontario

{www.molecularmining.com}

Software Tools for Genomics Research

Period Summary: 3rd Quarter 2004

As reported previously, the only outstanding item regarding the liquidation and dissolution of Molecular Mining is the sale and/or licensing of the company's intellectual property. PARTEQ Innovations is acting as agent to sell the intangible assets of the company. The agreement contains a revenue sharing component whereby PARTEQ will receive a ramping percentage of the proceeds, based upon the overall amount of the sale. Under the terms of the agreement, if the intangible assets are sold/licensed for a total of under \$25.5 million, the proceeds will be split solely between the Series B Preferred shareholders and PARTEQ. The Series A investors and the common shareholders would receive no return on their investment.

CHP II received \$1,237 from PARTEQ during the current quarter. To-date CHP II has received \$71,788 in cash distributions related to the sale of the assets of Molecular Mining. Our current estimate of total return on the CHP II investment is between \$100K - \$150K. CHP II will receive 18.25% of any future distribution to the Series B investors.

It is expected that the PARTEQ transaction will be complete in 2005 and we will record the final investment realization at that time.

CHP II, L.P. Holdings:

Series B Convertible Preferred Stock	737,422 shares
Assigned Fair Value	\$28,212
Investment Cost	\$1,437,273
% Ownership of the Series B Preferred	18.25%

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

Glycomics Based Drug Discovery and Development

Period Summary: 3rd Quarter 2004

During the quarter, Momenta (Nasdaq: MNTA) continued to advance their lead product, M-Enoxaparin (M-Enox) and the company remains on track to file the ANDA for M-Enox by mid-2005. Momenta's accomplishments in the sequencing and synthesis of complex sugars were recently highlighted in the October issue of Nature Reviews Drug Discovery. This review article describes the challenges associated with analyzing complex sugars and highlights the vast potential of sugars for therapeutic drug development. In other news, the company signed amendments to its license with M.I.T. to cover newly discovered enzymes, which will be used to expand the company's capabilities for analysis of complex sugars.

Financial results for the quarter show a net loss of \$4.3 million compared with a net loss of \$2.4 million for the same period in 2003. The Company reported revenues under its collaborative agreement with Sandoz, an affiliate of Novartis AG, of \$1.8 million for the quarter and \$5.0 million for the nine months ended September 30, 2004. Under the collaboration, Momenta and Sandoz have agreed to jointly develop, manufacture, and commercialize M-Enox, with Sandoz responsible for funding substantially all of the development, regulatory, legal and commercialization costs. Research and development expenses for the quarter were \$4.5 million, compared to \$1.4 million for the same period in 2003. The increase in research and development spending was primarily due to increased personnel and related costs as a result of increased headcount, and increased expenses associated with the M-Enox program. General and administrative expenses for the quarter totaled \$1.9 million, compared with \$1.0 million for the same period in 2003. The increase in general and administrative spending was primarily due to an increase in stock compensation expense, increased personnel and related costs as a result of increased headcount, additional insurance coverage and increased professional fees.

At September 30, 2004, the Company held cash, cash equivalents, and short-term investments of approximately \$59.4 million, including \$1.5 million of restricted cash associated with its recent lease. This capital, when combined with the cost sharing arrangement with Sandoz, should provide the company with operating capital well into 2007.

MOMENTA PHARMACEUTICALS, INC. (cont.)

FINANCIAL SUMMARY: (\$000)

Statement of Operations:

	<u>Nine Months Ended</u>		<u>Three Months Ended</u>	
	<u>09/30/04</u>	<u>09/30/03</u>	<u>09/30/04</u>	<u>09/30/03</u>
Revenues	4,994	0	1,843	0
Research & Development	10,229	3,150	4,481	1,423
General & Administrative	<u>4,841</u>	<u>2,529</u>	<u>1,852</u>	<u>957</u>
Loss from Operations	-10,076	-5,679	-4,490	-2,380
Other Income (Expense)	<u>334</u>	<u>-0</u>	<u>220</u>	<u>0</u>
Net Income (Loss)	-9,742	-5,679	-4,270	-2,380
Earnings Per Share (\$)	-\$2.99	-\$3.77	-\$0.18	-\$1.45

Summary Balance Sheet as of September 30, 2004:

Cash	\$ 57,916	Accounts Payable	\$ 2,248
Receivables	0	Accrued Expenses	1,387
Other Current Assets	<u>3,585</u>	Deferred Revenue	<u>147</u>
Total Current Assets	61,501	Total Current Liabilities	3,782
Net PP&E	2,094	Other Liabilities (LOC)	429
Intangible & Other Assets	<u>1,491</u>	Shareholders Equity (Net)	<u>60,875</u>
Total Assets	<u>\$65,086</u>	Total Liabilities & Equity	<u>\$65,086</u>

Comments:

The company received \$35.5 million in net proceeds from the June 2004 IPO. Current capital is expected to be sufficient to support operations well into 2007.

CHP II, L.P. Holdings:

Common Stock	2,170,286 shares
Assigned Fair Value (2,170,286 x \$8.23 x 75%)	\$13,396,090
Investment Cost	\$6,823,506
Cost per Share	\$3.144

% Ownership (Full Dilution) 7.0%

Company Valuation at CHP II Cost \$97.5 million

Company Valuation at Market (\$8.23 per share) \$255.2 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: 3rd Quarter 2004

Replication devoted the majority of its efforts during the third quarter toward the location and design of a new manufacturing facility. The company's sole source of its hydrogel devices has been a small European contract manufacturer. Shipping and product quality problems from the manufacturer have been a major contributor to the delays and re-work, which have slowed progress against plan at Replication during the first half of the year. Replication's facility will allow it to have greater control over manufacturing processes, as well as a more reliable supply of devices for testing and implantation in patients.

While the company remains behind on its clinical plan, it continues to attract industry wide attention as the most promising surgical solution for minimally invasive treatment of degenerative disk disease.

Disappointingly, only one new patient was treated during the quarter, bringing the total number of patients in the European ten-person trial to four.

On the regulatory front, Replication continues to take a methodical approach. Several spinal implant devices are at various stages in the regulatory process, and with each new submission the regulatory pathway becomes clearer. Meanwhile, a pre-IDE meeting in September confirmed company expectations regarding its testing and trial control requirements. A second pre-IDE meeting is expected in December, with IDE submission is still targeted for Q1 2005.

As was reported last quarter, Replication has attracted significant interest from both private equity investors as well as potential acquirers. We continue to manage interest from these various alternatives, and are responding to diligence requests from two significant companies in the Orthopedic/Spine space.

REPLICATION MEDICAL (cont.)

FINANCIAL RESULTS: (\$000)

Overview: (FYE 12/31)

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

Last Three Months: Quarter Ended September 30, 2004

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	0	0	0
R&D Expenses	713	740	+27
Operating Expenses	87	61	-26
EBIT	-800	-801	+1
Interest and Taxes	3	1	+2
Net Income	-797	-800	+3

Fiscal Year-to-Date: Nine Months Ended September 30, 2004

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	0	0	0
R&D Expenses	1,747	2,001	+254
Operating Expenses	294	193	-101
EBIT	-2,041	-2,194	+153
Interest and Taxes	11	10	+1
Net Income	-2,030	-2,184	+154

REPLICATION MEDICAL (cont.)

Summary Balance Sheet as of September 30, 2004: (\$000)

Cash	\$ 289	A/P & Accrued Expenses	\$ 2
Prepaid Expenses	82	Deferred Charges	0
Other Current Assets	<u>21</u>	Notes Payable	<u>0</u>
Total Current Assets	392	Total Current Liabilities	2
Net PP&E	570	Long Term Debt	0
Intangibles (net)	0	Shareholders Equity	9,858
Other Assets	<u>0</u>	Retained Earnings	<u>-8,898</u>
Total Assets	<u>\$ 962</u>	Total Liabilities & Equity	<u>\$ 962</u>

Comments:

While R&D expenses have begun ramping with additional trials in Europe, the company has not yet reached planned expenditure levels and remains ahead of its cash forecast. We expect the company to require additional financing by the end of 2004. Outside investor interest has been high, but given the interest by strategic partners, the current investors may provide a small financing to support operations in the interim.

CHP II, L.P. Holdings:

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

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

Outlook:

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

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

Structure-Based Design of Anti-Infective Agents

Period Summary: 3rd Quarter 2004

During the quarter, the Rib-X scientific team began conducting further pre-clinical studies on its lead compound, RX-1284, which had been placed on hold last quarter due to unexpected toxicity results. In addition, the company's lead program has yielded a second compound, RX-1741 that will be accelerated into pre-clinical testing as a back-up. Given the breadth of antibacterial activity exhibited by RX-1284 and RX-1741 as compared to major competitor compounds, management is proposing parallel tracking of the two compounds through advanced pre-clinical and clinical development, with the goal of identifying a suitable IND filing candidate in 2005. Additional programs to identify other drug candidate compounds will be accelerated in the coming months and through 2005.

Financial performance for the quarter was well ahead of plan in all areas except strategic partner revenues, which have not occurred as planned. The significant positive expense variances are the result of lower personnel costs, the set-aside last quarter of one of the lead compound programs, and the resulting pushback in scale-up for manufacturing in the lead drug program. Management has recast its financial and clinical plan to measure the impact of revamping the RX-1284 program and the acceleration of the parallel RX-1741 program. The filing of an initial IND with the FDA is now forecast to occur late next year, rather than the end of this year. Financially, even with the proposed program adjustments, the company has sufficient capital to operate for at least two years and likely well into Phase II clinical trials for two compounds. Management continues to manage expenditures efficiently.

The company launched an aggressive in-licensing program. The goal is to identify anti-infective opportunities to combat internal program development attrition and enrich the pipeline. The profile of a preferred product would be one in the late pre-clinical or early clinical stage of development that can yield a therapeutic drug product that can be differentiated in the marketplace using a specialty sales force, or be licensed to a strategic partner to produce a favorable ROI. Management will also be more proactive in its outreach to potential partners for out-licensing the Rib-X technology.

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

Overview: (FYE 12/31)

	<i>2001 Actual</i>	<i>2002 Actual</i>	<i>2003 Actual</i>	<i>2004 Budget</i>
Revenues	0	0	148	1,100
R&D Expenses	593	5,283	9,469	15,030
Operating Expenses	828	2,192	1,750	5,105
EBIT	-1,421	-7,475	-11,071	-19,035
Interest and Taxes	-11	-71	+134	+65
Net Income	-1,432	-7,546	-10,937	-18,970

Last Three Months: Quarter Ended September 30, 2004

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	0	471	-471
R&D Expenses	2,636	3,867	+1,231
Operating Expenses	355	611	+256
EBIT	-2,991	-4,007	+1,016
Interest and Taxes	+92	+105	-13
Net Income	-2,899	-3,902	+1,003

Fiscal Year-to-Date: Nine Months Ended September 30, 2004

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	0	628	-628
R&D Expenses	8,541	12,045	+3,504
Operating Expenses	1,831	2,656	+825
EBIT	-10,372	-14,073	+3,701
Interest and Taxes	+283	+365	-82
Net Income	-10,089	-13,708	+3,619

RIB-X PHARMACEUTICALS, INC. (cont.)

Summary Balance Sheet as of September 30, 2004: (\$000)

Cash	\$42,738	Accounts Payable	\$ 1,421
Accounts Receivable	341	Accrued Expenses	0
Other Current Assets	<u>266</u>	Notes Payable Current	<u>792</u>
Total Current Assets	43,345	Total Current Liabilities	2,213
Net PP&E	5,320	Notes Payable	2,926
Intangibles (net)	0	Shareholders Equity	72,582
Other Assets	<u>249</u>	Retained Earnings	<u>-28,807</u>
Total Assets	<u>\$48,914</u>	Total Liabilities & Equity	<u>\$48,914</u>

Comments:

The company is well ahead of its cash burn plan for the year and will likely be well ahead of plan for the year. With the current cash balance, Rib-X has enough capital to operate for at least two more years.

CHP II, L.P. Holdings:

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

Outlook:

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.

TO: The Limited Partners

FROM: The General Partner

DATE: August 17, 2004

SUBJECT: Investment in Sirtris Pharmaceuticals, Inc.

On August 17, 2004, CHP II, L.P. (CHP II) invested \$800,000 as part of a \$5 million seed financing for Sirtris Pharmaceuticals, Inc. (Sirtris). The financing was led by Polaris Venture Partners and also included Techno Venture Management (TVM) and Skyline Ventures. The pre-money valuation of the financing was \$2.5 million. John Clarke will represent CHP II on the Sirtris Board of Directors. The financing will support operations through the first half of 2005.

Sirtris Pharmaceuticals is a biopharmaceutical startup company developing a new family of drugs to treat diabetes, obesity and many diseases associated with old age, including cardiovascular disease and cancer. The company is located in Cambridge, MA.

Business Summary:

Sirtris Pharmaceuticals is developing a new family of drugs to treat diabetes, obesity, and ultimately many diseases associated with old age, including cardiovascular disease and cancer. This strategy is based on the recent finding that the Class III histone deacetylase protein family, called sirtuins, act as master switches for longevity, triggering cell survival and defense mechanisms in times of stress. Modulation (activation and/or inhibition) of sirtuins appears to provide a novel entry point into pathways affecting various pathologies often associated with aging. Cellular localization and specific function of all seven human sirtuins is an active area of investigation. SIRT1 is the mostly widely studied human sirtuin and has been implicated in cancer, metabolism and other diseases.

Given the Company's knowledge of SIRT1 activity and ownership/access to newly discovered activators, inhibitors and key structural and biochemical data, it is uniquely positioned to create therapeutics to treat a number of diseases including metabolic disorders, stroke, cardiovascular disease, neurodegenerative diseases, inflammation, and cancer. With insight into new research implicating SIRT1 activity and metabolism, the Company will initially focus on developing treatments for type 2 diabetes and obesity.

SIRTRIS PHARMACEUTICALS (cont.)

The Diabetes Market:

Diabetes is classified as an extra-large market with over 200 million patients with diabetes worldwide including more than 18 million patients in the North America and 22.5 million in Europe. In addition, the National Institute of Diabetes and Digestive and Kidney Diseases (U.S.) estimates that approximately 800,000 new cases of diabetes are diagnosed each year in the U.S. alone. World Health Organization projects the number of people with diabetes will double to 366 million by 2030.

Direct costs of diabetes estimated at \$92 billion in 2002, (compared to \$44 billion in 1997), representing around 19% of total personal health care expenditures in the U.S. even though diagnosed diabetes patients account for only 4.2% of the total U.S. population. Indirect costs estimated to be another \$40 billion in 2002. Last year alone, more than 3.2 million deaths were attributed to diabetes or diabetes-related causes.

The estimated retail market for diabetes medications will exceed \$20 billion (USD) annually by 2006. There are currently five families of compounds used to treat type 2 diabetes. Each works via a different mechanism of action and has a number of side effects including weight gain (sulfonylureas) and GI distress (alpha-glucosidase inhibitors). By an unknown mechanism, many type 2 patients become resistant to drugs and must use insulin or other insulin analogs to control the disease.

Given complications of treatment and eventual drug resistance, the need for new therapeutics is large and unmet. Not surprisingly, diabetes is an area of interest for many biopharmaceutical companies, resulting in a number of new drugs in development. PPAR pan-agonists, DDP IV antagonists and GLP1 receptor agonists account for more than 60% of the novel compounds in development. Drugs targeting other novel pathways are just beginning human trials.

Sirtris Technology and Plan:

There is initial data supporting the ability to produce drugs out of SIRT1 as well as the level of validation of SIRT1 as a diabetes target. Recent x-ray crystallographic structures of several SIRT1 homologs have been solved including human SIRT2, yeast Hst2, and archaeoglobus Sir2. These structures support a common fold for the backbone and establish putative binding pockets for the acetyl-lysine and NAD⁺ substrates. The conserved catalytic core domain of the SIRT enzymes features two domains: a large domain that is reminiscent of the Rossmann fold that is present in many NAD(H)/NADP(H)-binding enzymes and a smaller domain that contains a structural zinc atom. A conserved large groove is formed at the interface of these two domains and serves as the protein substrate-binding site. Taken together, the binding pocket appears to be a druggable binding site and is divided into three distinct regions, termed sites A, B and C. Current academic research is aimed at discerning between various members of the sirtuin family, which appears to be feasible.

SIRTRIS PHARMACEUTICALS (cont.)

To more fully validate SIRT1 as a target for the treatment of metabolic diseases and to build confidence in safety for targeting this enzyme with small molecules, the company will (1) develop small molecule lead compounds and target SIRT1 through high throughput screening and chemistry efforts and (2) develop mouse genetic models. The screening efforts will focus on directed compound libraries established around known inhibitor and activator structures and also on a diversity library comprised of compounds amenable to high-speed chemistry. Hits identified will be prioritized based on ADME properties, physical properties, potency, selectivity, and functional activity in cell-based assays. Lead candidates suitable for *in vivo* testing will be generated and tested in disease relevant animal models.

Business Strategy:

The Sirtris technology is based upon developing a portfolio of exclusive Intellectual Property. The company has concluded its key license agreement with Harvard University around the work of David Sinclair. Multiple other agreements are in various stages of negotiations.

The strategy is to focus on an emerging enzyme class that offers a broad platform to address many important, large market diseases. Selection of metabolic disorders ensures focus on a large, growing market with large pharmaceutical company interest. This should enable identification and initiation of strategic partnerships to support early R&D and eventually commercialization. The company is trying to mitigate the long and risky path to human trials by identifying alternative pathways such as reformulating existing drugs or current leads (e.g., resveratrol).

Competition:

The large unmet need for new diabetes drugs will drive pharma-biotech deals. At least eight biotech companies have small molecule anti-diabetics in development. None of these target the Class III HDAC//SIRT1 pathway. There are four new biotech companies investigating the SIRT1 pathway. Three of the four, however, are pursuing ‘the fountain of youth’ rather than focus on specific disease area. Elixir is the only one that may be pursuing metabolic disorders, although the level of focus on the SIRT1 pathway is unclear. In any case, Elixir is certainly investigating a large number of targets, including SIRT1 as well as integrating the recent acquisition of Centagenetix, a company aimed at DNA profiling of centenarians.

SIRTRIS PHARMACEUTICALS (cont.)

Management:

Christoph Westphal of Polaris Venture Partners is acting CEO of Sirtris. The company currently has only one employee, Jill Milne, functioning as the Director of Biology. The company is actively recruiting experienced management and scientific personnel with broad backgrounds in all aspects of pharmaceutical development and commercialization. The senior management recruiting effort is currently focused on a head of R&D. All of the leading candidates have at least 15 years of industry experience and have successfully brought new compounds into clinical trials.

Scientific Founders:

A Scientific Advisory Board is also being created to include leaders from prominent academic institutions, hospitals, and the private sector.

David Sinclair, Ph.D. – Dr. Sinclair is Associate Professor of Pathology at Harvard Medical School and has made key contributions to the scientific understanding of aging. In 1997, Dr. Sinclair identified the cause of aging in yeast, a first for any species, and in 2003 reported the discovery of a conserved master regulatory gene controlling this process. Dr. Sinclair has authored more than 20 peer-reviewed scientific publications, including several seminal papers in *Nature* and *Science*, and has received numerous awards and honors for his research. Dr. Sinclair performed his post-doctoral work with Dr. Leonard Guarente at MIT and holds a PhD in Biochemistry and Molecular Genetics from the University of New South Wales.

Paul Schimmel, Ph.D. – Paul Schimmel is the Ernest and Jean Hahn Professor at The Skaggs Institute for Chemical Biology at The Scripps Research Institute. He formerly was the John D. and Catherine T. MacArthur Professor of Biochemistry and Biophysics in the Department of Biology at MIT. His major research activities have concentrated on the decoding of genetic information, with emphasis on the rules of the universal genetic code which are established through aminoacylation reactions catalyzed by a group of enzymes known as aminoacyl tRNA synthetases. The latter are believed by many to be among the first enzymes to arise on this planet in the early stages of the evolution of life. Dr. Schimmel is a member of the National Academy of Science and has co-founded a number of biotechnology companies including Alkermes, Cubist, Repligen, and Alnylam.

SIRTRIS PHARMACEUTICALS (cont.)

Financial Projections:

Sirtris is a development stage bio-pharmaceutical company and therefore will likely not generate product revenues for some time. The initial seed financing of \$5 million will be used primarily to fund patent and licensing arrangement, recruitment of the core research and management team and the attainment of suitable lab and office space. The company anticipates completing a second round of financing in late 2004 that is expected to fund the company through proof of concept. A third financing round is forecast for late 2005.

<i>Sirtris Pharmaceuticals.</i>	Estimate	Projected	Projected	Projected
(\$000)	2004	2005	2006	2007
Revenue	0	250	500	500
Research & Development	1,052	4,537	6,327	6,525
General & Administrative	625	2,139	2,601	2,698
EBIT	-1,677	-6,426	-8,428	-8,723
Other Income (Expense)	2	55	-67	-65
Net Income (Loss)	-1,675	-6,371	-8,495	-8,788
Capital Expenditures	136	983	1,050	1,005
Headcount	7	15	20	21

Outlook:

Sirtris Pharmaceuticals is focused on an emerging biology/technology with many potential therapeutic targets. The initial target, Diabetes, is a huge market where the Sirtris technology has the potential to serve a large unmet medical need for new first-in-class drugs. The technology also will require a relatively small investment to validate this initial target, test interest from potential strategic partners, and identify the feasibility of projects with shorter time horizons to the clinic (e.g., reformulation of existing drugs).

Sirtris has a strong investor syndicate and proprietary technology with terrific potential. We are very excited about the prospects for the company.