

CHP II, L.P.
QUARTERLY REPORT
3rd QUARTER, 2005

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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.

CHP II, L.P.
QUARTERLY REPORT
3rd QUARTER, 2005
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TO: The Limited Partners
FROM: John K. Clarke
DATE: November 15, 2005
SUBJECT: Activity for the Quarter Ended September 30, 2005

During the quarter, we completed two new investments and a \$48.5 million distribution. The CHP II portfolio continued to make good operational progress and we remain confident that the portfolio will produce top quartile returns for our investors. The following are short summaries of activity for the quarter in each of our portfolio companies.

AllainceCare (formerly Mobile Medical) - While financial performance in 2005 has been disappointing, management has made substantial progress restructuring operations designed to improve results. The company has operated at EBITDA positive thru Q3 2005 with revenue growth of 26% over 2004. We expect 2005 to show revenues at \$80+ million, but with only \$1 million in EBITDA. The current management team must now prove it is capable of delivering improved financial performance.

Alnylam Pharmaceuticals - For the quarter ended September 30, 2005, Alnylam (NASDAQ: ALNY) reported significant progress against their overall clinical and business objectives for 2005. During the quarter, the company continued to advance its pipeline of RNAi therapeutic programs, including the lead Direct RNAi programs for RSV infection, for which it expects to initiate human clinical trials in Q4. The company also executed a major collaboration with Novartis, with a significant upfront cash payment and equity investment. Management has revised its yearend forecast and now expects to end 2005 with cash in excess of \$75 million.

AthenaHealth - Athena has performed well for the first nine months of 2005, posting better than forecast results for all metrics except revenues. Athena will miss its revenue target for the year due to lower than forecast sales for Q2 and implementations running slightly behind plan. The company has adequate capital resources to support its continued growth and infrastructure investment, but will likely restructure its debt in the coming months to free up more liquidity. Management forecasts the company to end 2005 with revenues of \$54 million and a sales backlog of \$20 million. Management has begun discussions with investment bankers towards a potential late 2006/early 2007 initial public offering.

aTyr Pharma - On September 9, 2005, Cardinal invested \$600K in the \$732K start-up financing for aTyr Pharma, Inc., ("aTyr") a biopharmaceutical company developing novel protein biologics for regenerative medicine. The pre-money valuation for the financing was \$750K with Cardinal currently owning 40% of the company on a fully diluted basis.

CardioOptics - Cardio-Optics had many significant accomplishments during the quarter. The company received an acceptance letter from the FDA on the 510k submission for the CSA™ System and completed its first sale of the system, moved the transparent electrode ablation project closer to initial animal testing, and reached agreement on terms for a \$22-\$24 million financing with Novo Ventures at a 2.3 times mark-up from the last financing round. The financing is expected to close next quarter.

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CodeRyte – Over the first nine months 2005, CodeRyte has experienced terrific success in sales bookings and is almost 50% ahead of its sales plan for the year. While the company has been very successful in terms of new customer sales, growth related implementation issues have hindered revenues, which are below expectations. The company has almost completed its senior management team, including new addition Frank Taylor as CFO this quarter. Management has approached the investor syndicate about a follow-on financing round to close in Q4.

IntelliCare America – As September came to a close, the IntelliCare Board accepted an acquisition offer of \$20 million cash from a publicly held leading provider of healthcare products and services to patients suffering from chronic diseases. The transaction is expected to close in the next two months and will provide Cardinal with a return in excess of our current carrying value. Financially, IntelliCare has met most of its financial targets for 2005 and is operating on a cash flow positive basis. The company is \$550K ahead of its cash flow forecast for the year.

MitralSolutions, Inc. - On August 21, 2005, Cardinal invested \$1.0 million in the initial stage of the \$7.2 million first round financing for MitralSolutions, Inc. (“Mitral”). The financing was led by Cardinal Partners and completed at a pre-money value of \$3.4 million. The financing is being staged with the initial closing of \$2.4 million completed in August and a second closing of \$4.8 million with the execution of a specified licensing agreement. Cardinal will invest an additional \$2.25 million in the second closing for a total of \$3.25 million and a 30.7% ownership position.

Momenta – The third quarter was one of significant accomplishment for Momenta. During the quarter, market events and analyst attention contributed to significant new institutional shareholder interest in Momenta. This favorable environment enabled Cardinal to complete a distribution of approximately 75% of its Momenta shares at a value of \$48.5 million. In August, the company submitted the abbreviated new drug application (ANDA) to the FDA for M-Enoxaparin (“M-Enox”), Momenta’s generic version of Lovenox®, the largest selling low molecular weight heparin, with worldwide sales in 2004 of about \$2.4 billion.

Replication Medical – The third quarter was an extraordinary period for Replication Medical. On July 21st, the company completed a major collaboration agreement with Abbott Laboratories (“Abbott”) that consisted of an initial \$12 million equity investment by Abbott, plus an option for Abbott to acquire Replication. The transaction includes milestone and revenue based payments to the Replication shareholders that have the potential to exceed \$100 million. CHP II will receive approximately 20.5% of any payment by Abbott. The equity financing was priced at a pre-money value of \$71 million, resulting in a \$5.7 million current mark-up on our investment.

Rib-X Pharmaceuticals – During the quarter, Rib-X continued to progress its lead compound toward an IND filing, with Phase I clinical trials expected to commence in December. The company also completed its first in-licensing agreement on a compound with sales potential in excess of \$250 million. In addition, the company has a second lead compound that is on track to file an IND and enter the clinic in Q1 2006. Based upon these accomplishments, management will begin discussing a third round financing with the investor syndicate during Q4 2005.

Sirtris Pharmaceuticals – During the quarter, Sirtris had continued positive results from animal studies, relocated to a more suitable facility, and identified possible jumpstart product leads. The company is slightly behind on its cash flow forecast. As expected, monthly cash burn has accelerated in recent months to \$1 million. The company has adequate capital resources to support the accelerated development program well into 2008. Strategic and financial investor interest remains high, but the company will only pursue an additional financing in conjunction with a significant strategic collaboration.

Included in this report are financial statements for the period, a portfolio valuation memo, an investment memorandum on our two new investments, aTyr Pharma and MitralSolutions, 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 54 business proposals. Current “A” deals include: EKO Systems, Heart Leaflet Technologies, IRX Therapeutics and Spineology. 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 were two capital calls during the period for a total of \$4.1 million. Utilization of these funds includes the \$3.25 million investment for MitralSolutions, the \$600K investment for aTyr Pharma, the \$321K investment in Cardio-Optics and the payment of fund fees and expenses. As of September 30, 2005, cumulative capital contributions stand at \$84.6 million or 72% of total commitments. CHP II also received a cash distribution of \$636K from the option fee paid by Abbott to the Replication shareholders. Cash at the end of the period was \$3.2 million and net assets totaled \$84.7 million. Net income for the quarter was \$32.7 million, consisting of \$628K in net operating expenses, offset by a \$44.6 million realization related to the Momenta distribution offset by an \$11.9 million decrease in cumulative unrealized portfolio appreciation. Changes in portfolio valuation for the quarter included an unrealized gain for Alnylam of \$8.4 million related to public market price increase plus an unrealized gain on Replication of \$5.7 million related to the Abbott investment. These gains were offset by the reversal of a previously unrealized gain of \$26 million for Momenta.

Looking forward:

In July, we completed a distribution of slightly over 75% of our holdings in Momenta at a total value of \$48.5 million. Cumulative net to investors IRR now stands at 13.4%. We remain very hopeful of providing additional meaningful liquidity to our partners during 2005.

Our Limited Partner Annual Meeting will be held in New York City on Thursday, December 1st at the Mandarin Oriental Hotel beginning at 10:00 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 hope to see many of you in New York.

CHP II, L.P.
Income Statement
For the Period Ended September 30, 2005

| | Three Months Ended 09/30/05 | Nine Months Ended 09/30/05 |
|------------------------------------|-----------------------------------|----------------------------------|
| Revenue: | | |
| Non Portfolio Income | \$8,367 | \$10,143 |
| Interest-Equivalent Amounts | 0 | 0 |
| Expenses: | | |
| Management Fee | 583,466 | 1,890,057 |
| Professional Fees | 6,309 | 20,237 |
| NVCA Dues & Expenses | 0 | 0 |
| Amortization of Organization Costs | 0 | 0 |
| Annual Meeting & Miscellaneous | 37 | 4,154 |
| Total Expenses | 589,812 | 1,914,448 |
| Net Operating Expense | (581,445) | (1,904,305) |
| Investment Income | 669,520 | 710,050 |
| Net Income Before Gains (Losses) | 88,075 | (1,194,255) |
| Realized Gains (Losses) | 44,574,603 | 44,651,692 |
| Unrealized Gains (Losses) | (11,933,398) | 17,897,541 |
| Net Income (Loss) | \$32,729,280 | \$61,354,978 |

CHP II, L.P.
Balance Sheet
As of September 30, 2005

| ASSETS: | Period Ended 09/30/05 | Period Ended 06/30/05 |
|---|----------------------------|----------------------------|
| Cash and Short-Term Investments | \$3,178,961 | \$676,768 |
| Accrued Interest | 52,649 | 112,501 |
| Venture Capital Investments | 81,257,121 | 95,145,422 |
| Organization Costs (Net of Accum. Amortization) | 0 | 0 |
| Other Assets | 230,684 | 398,703 |
| | <u>\$84,719,415</u> | <u>\$96,333,394</u> |
| LIABILITIES & CAPITAL: | | |
| Accrued Expenses and Payables | \$17,346 | \$11,000 |
| Partners' Accounts | 84,702,069 | 96,322,394 |
| Total Liabilities and Capital | <u><u>\$84,719,415</u></u> | <u><u>\$96,333,394</u></u> |

CHP II, L.P.
Footnotes
As of September 30, 2005

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

| Note 2 – Accrued Interest | 09/30/05 | 06/30/05 |
|------------------------------------|-----------------|------------------|
| General Partner Promissory Notes | \$485 | \$86,717 |
| Cardio-Optics 8% Convertible Notes | 52,164 | 25,784 |
| Total | <u>\$52,649</u> | <u>\$112,501</u> |

| Note 3 – Net Organization Costs | 09/30/05 | 06/30/05 |
|---------------------------------|------------|------------|
| Organization Costs | \$183,232 | \$183,232 |
| Accumulated Amortization | (183,232) | (183,232) |
| Total | <u>\$0</u> | <u>\$0</u> |

| Note 4 – Other Assets | 09/30/05 | 06/30/05 |
|------------------------------|------------------|------------------|
| GP Promissory Note Principal | \$221,834 | \$382,353 |
| Prepaid Management Fees | 7,500 | 15,000 |
| Prepaid NJ State Filing Fees | 1,350 | 1,350 |
| Total | <u>\$230,684</u> | <u>\$398,703</u> |

| Note 5 – Accrued Expenses and Payables | 09/30/05 | 06/30/05 |
|--|-----------------|-----------------|
| Professional Fees | \$16,500 | \$11,000 |
| NVCA Dues & Annual Meeting | 0 | 0 |
| Other Accrued Expenses | 846 | 0 |
| Total | <u>\$17,346</u> | <u>\$11,000</u> |

| Note 6 – Financial Highlights (Return & IRR) | Net to LP's | Total Fund |
|--|-------------|------------|
| Year-to-Date Return on Net Assets | 77.99% | 94.18% |
| Internal Rate of Return Since Inception | 13.44% | 16.16% |

CHP II, L.P.
Statement of Cash Flows
For the Period Ended September 30, 2005

| | Three Months Ended 09/30/05 | Nine Months Ended 09/30/05 |
|--|-----------------------------------|----------------------------------|
| Cash flows from operating activities | | |
| Net Income Before Gains (Losses) | \$88,075 | (\$1,194,256) |
| Adjustments to reconcile net income before gains (losses) to net cash used in operating activities: | | |
| Accrued Interest Receivable | 59,852 | 19,322 |
| Accrued Organization Costs | 0 | 0 |
| Other Assets | 7,500 | (7,500) |
| Accrued Expenses & Payables | 6,346 | (8,398) |
| Net Cash used in Operating Activities | 161,773 | (1,190,832) |
| Cash flows from investing activities | | |
| Purchases of venture capital investments | (1,920,099) | (6,396,648) |
| Sales of venture capital investments | 0 | 77,907 |
| Net cash used in investing activities | (1,920,099) | (6,318,741) |
| Cash flows from financing activities | | |
| Cash contributions by partners | 4,260,519 | 9,993,161 |
| Cash distribution to partners | 0 | 0 |
| Net cash provided by financing activities | 4,260,519 | 9,993,161 |
| Net Change in Cash and Short Term Investments | 2,502,193 | 2,483,588 |
| Cash and Short Term Investments, beginning | 676,768 | 695,373 |
| Cash and Short Term Investments, ending | \$3,178,961 | \$3,178,961 |

CHP II, L.P.
Schedule of Venture Capital Investments
As of September 30, 2005

| Company | Debt | Equity | Total Cost | Fair Value | Unrealized Gain (Loss) |
|-------------------------------|-------------|---------------|-------------------|-------------------|-------------------------------|
| AllianceCare, Inc. | \$0 | \$4,980,410 | \$4,980,410 | \$4,980,410 | \$0 |
| Alnylam Pharmaceuticals | 0 | 8,959,015 | 8,959,015 | 23,638,131 | 14,679,116 |
| 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 |
| Cardio-Optics, Inc. | 1,520,471 | 3,001,279 | 4,521,750 | 4,521,750 | 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) |
| MitralSolutions, Inc. | 0 | 1,000,000 | 1,000,000 | 1,000,000 | 0 |
| Molecular Mining Corp. | 0 | 1,436,455 | 1,436,455 | 27,394 | (1,409,061) |
| Momenta Pharmaceuticals, Inc. | 0 | 2,948,504 | 2,948,504 | 12,993,781 | 10,045,277 |
| Replication Medical | 0 | 3,052,353 | 3,052,353 | 8,789,246 | 5,736,893 |
| Rib-X Pharmaceuticals, Inc. | 0 | 4,000,000 | 4,000,000 | 4,000,000 | 0 |
| Sirtris Pharmaceuticals, Inc. | 0 | 6,050,000 | 6,050,000 | 7,280,000 | 1,230,000 |
| Totals | \$1,520,471 | \$47,808,021 | \$49,328,492 | \$81,257,121 | \$31,928,629 |

CHP II, L.P.
Statement of Partners' Contributions Accounts
As of September 30, 2005

| | Partners' Total Subscription | Contributions Account 06/30/05 | Period Contribution in Cash | Period Contribution by Note | Contributions Account 09/30/05 | Partners' Outstanding Subscription |
|---|------------------------------------|--------------------------------------|-----------------------------------|-----------------------------------|--------------------------------------|--|
| <u>Limited Partners</u> | | | | | | |
| State Teachers Ret. System of Ohio | \$30,000,000 | \$20,556,540 | \$1,047,033 | \$0 | \$21,603,573 | \$8,396,427 |
| Nassau Capital Funds | 10,000,000 | 6,852,179 | 349,012 | 0 | 7,201,191 | 2,798,809 |
| Robert Wood Johnson Foundation | 10,000,000 | 6,852,179 | 349,012 | 0 | 7,201,191 | 2,798,809 |
| Northwestern University | 10,000,000 | 6,852,179 | 349,012 | 0 | 7,201,191 | 2,798,809 |
| LACERA | 10,000,000 | 6,852,179 | 349,012 | 0 | 7,201,191 | 2,798,809 |
| Textron Master Trust | 10,000,000 | 6,852,179 | 349,012 | 0 | 7,201,191 | 2,798,809 |
| Wachovia Investors, Inc. (First Union) | 7,500,000 | 5,139,135 | 261,758 | 0 | 5,400,893 | 2,099,107 |
| Pension Commissioners of City of LA | 5,000,000 | 3,426,090 | 174,505 | 0 | 3,600,595 | 1,399,405 |
| Princess Private Equity | 5,000,000 | 3,426,090 | 174,505 | 0 | 3,600,595 | 1,399,405 |
| Hillside Capital Incorporated | 3,500,000 | 2,398,262 | 122,154 | 0 | 2,520,416 | 979,584 |
| Hamilton Lane-Carpenters Fund | 3,000,000 | 2,055,654 | 104,703 | 0 | 2,160,357 | 839,643 |
| UNISYS Master Trust | 3,000,000 | 2,055,654 | 104,703 | 0 | 2,160,357 | 839,643 |
| Venture Investment Associates III, L.P. | 2,300,000 | 1,576,001 | 80,272 | 0 | 1,656,273 | 643,727 |
| Fleet Growth Resources (Summit) | 2,000,000 | 1,370,436 | 69,802 | 0 | 1,440,238 | 559,762 |
| S.R. One Limited | 2,000,000 | 1,370,436 | 69,802 | 0 | 1,440,238 | 559,762 |
| QFinance (Pharma BioDevelopment) | 2,000,000 | 1,370,436 | 69,802 | 0 | 1,440,238 | 559,762 |
| Private Equity Holdings II, Ltd. | 1,000,000 | 685,218 | 34,901 | 0 | 720,119 | 279,881 |
| | \$116,300,000 | \$79,690,847 | \$4,059,000 | \$0 | \$83,749,847 | \$32,550,153 |
| <u>General Partner</u> | | | | | | |
| CHP II Management, LLC. | 1,174,747 | 804,958 | 21,525 | 19,475 | 845,958 | 328,789 |
| Total Partnership | \$117,474,747 | \$80,495,805 | \$4,080,525 | \$19,475 | \$84,595,805 | \$32,878,942 |

CHP II, L.P.
Statement of Partners' Distributive Share of Net Assets
For the Period Ended September 30, 2005

| | Private Securities | Public Securities | Cash | Other Assets | Total Assets | Accrued Expenses | Net Assets 09/30/05 |
|---|--------------------|-------------------|-------------|--------------|--------------|------------------|---------------------|
| <u>Limited Partners</u> | | | | | | | |
| State Teachers Ret. System of Ohio | \$10,091,621 | \$8,284,003 | \$718,896 | \$64,073 | \$19,158,593 | (\$3,922) | \$19,154,671 |
| Nassau Capital Funds | 3,363,858 | 2,761,321 | 239,631 | 21,358 | 6,386,168 | (1,308) | 6,384,860 |
| Robert Wood Johnson Foundation | 3,363,858 | 2,761,321 | 239,631 | 21,358 | 6,386,168 | (1,308) | 6,384,860 |
| Northwestern University | 3,363,858 | 2,761,321 | 239,631 | 21,358 | 6,386,168 | (1,308) | 6,384,860 |
| LACERA | 3,363,858 | 2,761,321 | 239,631 | 21,358 | 6,386,168 | (1,308) | 6,384,860 |
| Textron Master Trust | 3,363,858 | 2,761,321 | 239,631 | 21,358 | 6,386,168 | (1,308) | 6,384,860 |
| Wachovia Investors, Inc. (First Union) | 2,522,898 | 2,070,995 | 179,723 | 16,018 | 4,789,634 | (980) | 4,788,654 |
| Pension Commissioners of City of LA | 1,681,936 | 1,380,666 | 119,815 | 10,679 | 3,193,096 | (653) | 3,192,443 |
| Princess Private Equity | 1,681,936 | 1,380,666 | 119,815 | 10,679 | 3,193,096 | (653) | 3,192,443 |
| Hillside Capital Incorporated | 1,177,353 | 966,465 | 83,871 | 7,475 | 2,235,164 | (457) | 2,234,707 |
| Hamilton Lane-Carpenters Fund | 1,009,164 | 828,402 | 71,890 | 6,407 | 1,915,863 | (392) | 1,915,471 |
| UNISYS Master Trust | 1,009,164 | 828,402 | 71,890 | 6,407 | 1,915,863 | (392) | 1,915,471 |
| Venture Investment Associates III, L.P. | 773,697 | 635,112 | 55,116 | 4,912 | 1,468,837 | (301) | 1,468,536 |
| Fleet Growth Resources (Summit) | 672,771 | 552,265 | 47,926 | 4,272 | 1,277,234 | (262) | 1,276,972 |
| S.R. One Limited | 672,771 | 552,265 | 47,926 | 4,272 | 1,277,234 | (262) | 1,276,972 |
| QFinance (Pharma BioDevelopment) | 672,771 | 552,265 | 47,926 | 4,272 | 1,277,234 | (262) | 1,276,972 |
| Private Equity Holdings II, Ltd. | 336,393 | 276,138 | 23,964 | 2,135 | 638,630 | (131) | 638,499 |
| | \$39,121,765 | \$32,114,249 | \$2,786,913 | \$248,391 | \$74,271,318 | (\$15,207) | \$74,256,111 |
| <u>General Partner</u> | | | | | | | |
| CHP II Management, LLC. | 5,503,444 | 4,517,663 | 392,048 | 34,942 | 10,448,097 | (2,139) | 10,445,958 |
| Total Partnership | \$44,625,209 | \$36,631,912 | \$3,178,961 | \$283,333 | \$84,719,415 | (\$17,346) | \$84,702,069 |

CHP II, L.P.
Statement of Partners' Capital Accounts *
For the Three Months Ended September 30, 2005

| <u>Limited Partner</u> | Partners' Capital 07/01/05 | Net Capital Contribution | Non-Portfolio Income | Net Investment Income | Realized Gains (Losses) | Total Income | Unrealized Gains (Losses) | Distributions | Partners' Capital 09/30/05 |
|------------------------------------|-------------------------------|-----------------------------|-------------------------|--------------------------|-------------------------------|-----------------|---------------------------------|----------------|-------------------------------|
| State Teachers Ret. System of Ohio | \$23,793,383 | \$1,047,033 | \$2,136 | \$81,871 | \$10,476,354 | \$10,560,361 | (\$3,873,368) | (\$12,372,738) | \$19,154,671 |
| Nassau Capital Funds | 7,931,125 | 349,012 | 712 | 27,290 | 3,492,118 | 3,520,120 | (1,291,122) | (4,124,275) | 6,384,860 |
| Robert Wood Johnson Foundation | 7,931,125 | 349,012 | 712 | 27,290 | 3,492,118 | 3,520,120 | (1,291,122) | (4,124,275) | 6,384,860 |
| Northwestern University | 7,931,125 | 349,012 | 712 | 27,290 | 3,492,118 | 3,520,120 | (1,291,122) | (4,124,275) | 6,384,860 |
| Textron Master Trust | 7,931,125 | 349,012 | 712 | 27,290 | 3,492,118 | 3,520,120 | (1,291,122) | (4,124,275) | 6,384,860 |
| LACERA | 7,931,125 | 349,012 | 712 | 27,290 | 3,492,118 | 3,520,120 | (1,291,122) | (4,124,275) | 6,384,860 |
| Wachovia Investors (First Union) | 5,948,346 | 261,758 | 535 | 20,468 | 2,619,088 | 2,640,091 | (968,343) | (3,093,198) | 4,788,654 |
| Pension Commissioners-City of LA | 3,965,562 | 174,505 | 356 | 13,644 | 1,746,060 | 1,760,060 | (645,561) | (2,062,123) | 3,192,443 |
| Princess Private Equity | 3,965,562 | 174,505 | 356 | 13,644 | 1,746,060 | 1,760,060 | (645,651) | (2,062,123) | 3,192,443 |
| Hillside Capital Incorporated | 2,775,893 | 122,154 | 249 | 9,551 | 1,222,241 | 1,232,041 | (451,892) | (1,443,489) | 2,234,707 |
| Hamilton Lane-Carpenters Fund | 2,379,337 | 104,703 | 214 | 8,187 | 1,047,634 | 1,056,035 | (387,336) | (1,237,268) | 1,915,471 |
| UNISYS Master Trust | 2,379,337 | 104,703 | 214 | 8,187 | 1,047,634 | 1,056,035 | (387,336) | (1,237,268) | 1,915,471 |
| Venture Investment Associates III | 1,824,158 | 80,272 | 164 | 6,277 | 803,187 | 809,628 | (296,958) | (948,564) | 1,468,536 |
| Fleet Growth Resources | 1,586,225 | 69,802 | 143 | 5,458 | 698,424 | 704,025 | (258,225) | (824,855) | 1,276,972 |
| S.R. One Limited | 1,586,225 | 69,802 | 143 | 5,458 | 698,424 | 704,025 | (258,225) | (824,855) | 1,276,972 |
| QFinance (Pharma BioDevelopment) | 1,586,225 | 69,802 | 143 | 5,458 | 698,424 | 704,025 | (258,225) | (824,855) | 1,276,972 |
| Private Equity Holdings II, Ltd. | 793,111 | 34,901 | 71 | 2,729 | 349,212 | 352,012 | (129,112) | (412,413) | 638,499 |
| | \$92,238,989 | \$4,059,000 | \$8,284 | \$317,382 | \$40,613,332 | \$40,938,998 | (\$15,015,752) | (\$47,965,124) | \$74,256,111 |
| <u>General Partner</u> | | | | | | | | | |
| CHP II Management, LLC. | 3,701,052 | 201,519 | 83 | (237,674) | 3,961,271 | 3,723,680 | 3,082,354 | (484,481) | 10,224,124 |
| Total Partnership | \$95,940,041 | \$4,260,519 | \$8,367 | \$79,708 | \$44,574,603 | \$44,662,678 | (\$11,933,398) | (\$48,449,605) | \$84,480,235 |

*-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 Nine Months Ended September 30, 2005

| <u>Limited Partner</u> | Partners' Capital 01/01/05 | Net Capital Contribution | Non-Portfolio Income | Net Investment Income | Realized Gains (Losses) | Total Income | Unrealized Gains (Losses) | Distributions | Partners' Capital 09/30/05 |
|------------------------------------|-------------------------------|-----------------------------|-------------------------|--------------------------|-------------------------------|-----------------|---------------------------------|----------------|-------------------------------|
| State Teachers Ret. System of Ohio | \$15,817,027 | \$2,517,988 | \$2,591 | (\$246,056) | \$10,496,041 | \$10,252,576 | \$2,939,818 | (\$12,372,738) | \$19,154,671 |
| Nassau Capital Funds | 5,272,341 | 839,330 | 863 | (82,019) | 3,498,680 | 3,417,524 | 979,940 | (4,124,275) | 6,384,860 |
| Robert Wood Johnson Foundation | 5,272,341 | 839,330 | 863 | (82,019) | 3,498,680 | 3,417,524 | 979,940 | (4,124,275) | 6,384,860 |
| Northwestern University | 5,272,341 | 839,330 | 863 | (82,019) | 3,498,680 | 3,417,524 | 979,940 | (4,124,275) | 6,384,860 |
| Textron Master Trust | 5,272,341 | 839,330 | 863 | (82,019) | 3,498,680 | 3,417,524 | 979,940 | (4,124,275) | 6,384,860 |
| LACERA | 5,272,341 | 839,330 | 863 | (82,019) | 3,498,680 | 3,417,524 | 979,940 | (4,124,275) | 6,384,860 |
| Wachovia Investors (First Union) | 3,954,257 | 629,497 | 648 | (61,514) | 2,624,010 | 2,563,144 | 734,954 | (3,093,198) | 4,788,654 |
| Pension Commissioners-City of LA | 2,636,170 | 419,664 | 432 | (41,010) | 1,749,341 | 1,708,763 | 489,969 | (2,062,123) | 3,192,443 |
| Princess Private Equity | 2,636,170 | 419,664 | 432 | (41,010) | 1,749,341 | 1,708,763 | 489,969 | (2,062,123) | 3,192,443 |
| Hillside Capital Incorporated | 1,845,319 | 293,765 | 302 | (28,707) | 1,224,538 | 1,196,133 | 342,979 | (1,443,489) | 2,234,707 |
| Hamilton Lane-Carpenters Fund | 1,581,702 | 251,798 | 259 | (24,606) | 1,049,604 | 1,025,257 | 293,982 | (1,237,268) | 1,915,471 |
| UNISYS Master Trust | 1,581,702 | 251,798 | 259 | (24,606) | 1,049,604 | 1,025,257 | 293,982 | (1,237,268) | 1,915,471 |
| Venture Investment Associates III | 1,212,638 | 193,045 | 199 | (18,864) | 804,696 | 786,031 | 225,386 | (948,564) | 1,468,536 |
| Fleet Growth Resources | 1,054,468 | 167,866 | 173 | (16,404) | 699,736 | 683,505 | 195,988 | (824,855) | 1,276,972 |
| S.R. One Limited | 1,054,468 | 167,866 | 173 | (16,404) | 699,736 | 683,505 | 195,988 | (824,855) | 1,276,972 |
| QFinance (Pharma BioDevelopment) | 1,054,468 | 167,866 | 173 | (16,404) | 699,736 | 683,505 | 195,988 | (824,855) | 1,276,972 |
| Private Equity Holdings II, Ltd. | 527,233 | 83,933 | 86 | (8,202) | 349,868 | 341,752 | 97,994 | (412,413) | 683,499 |
| <u>General Partner</u> | \$61,317,327 | \$9,761,400 | \$10,042 | (\$953,882) | \$40,689,651 | \$39,745,811 | \$11,396,697 | (\$47,965,124) | \$74,256,111 |
| CHP II Management, LLC. | 264,373 | 231,761 | 101 | (250,515) | 3,962,041 | 3,711,627 | 6,500,844 | (484,481) | 10,224,124 |
| Total Partnership | \$61,581,700 | \$9,993,161 | \$10,143 | (\$1,204,397) | \$44,651,692 | \$43,457,438 | \$17,897,541 | (\$48,449,605) | \$84,480,235 |

*-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, 2005

| | 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 | \$21,603,573 | \$19,526 | (\$3,794,690) | \$7,176,007 | \$3,400,843 | \$6,522,993 | (\$12,372,738) | \$19,154,671 |
| Nassau Capital Funds | 7,201,191 | 6,509 | (1,264,898) | 2,392,001 | 1,133,612 | 2,174,332 | (4,124,275) | 6,384,860 |
| Robert Wood Johnson Foundation | 7,201,191 | 6,509 | (1,264,898) | 2,392,001 | 1,133,612 | 2,174,332 | (4,124,275) | 6,384,860 |
| Northwestern University | 7,201,191 | 6,509 | (1,264,898) | 2,392,001 | 1,133,612 | 2,174,332 | (4,124,275) | 6,384,860 |
| LACERA | 7,201,191 | 6,509 | (1,264,898) | 2,392,001 | 1,133,612 | 2,174,332 | (4,124,275) | 6,384,860 |
| Textron Master Trust | 7,201,191 | 6,509 | (1,264,898) | 2,392,001 | 1,133,612 | 2,174,332 | (4,124,275) | 6,384,860 |
| Wachovia Investors, Inc. (First Union) | 5,400,893 | 4,883 | (948,673) | 1,794,001 | 850,211 | 1,630,748 | (3,093,198) | 4,788,654 |
| Pension Commissioners of City of LA | 3,600,595 | 3,255 | (632,450) | 1,196,000 | 566,805 | 1,087,166 | (2,062,123) | 3,192,443 |
| Princess Private Equity | 3,600,595 | 3,255 | (632,450) | 1,196,000 | 566,805 | 1,087,166 | (2,062,123) | 3,192,443 |
| Hillside Capital Incorporated | 2,520,416 | 2,277 | (442,714) | 837,200 | 396,763 | 761,017 | (1,443,489) | 2,234,707 |
| Hamilton Lane-Carpenters Fund | 2,160,357 | 1,953 | (379,470) | 717,600 | 340,083 | 652,299 | (1,237,268) | 1,915,471 |
| UNISYS Master Trust | 2,160,357 | 1,953 | (379,470) | 717,600 | 340,083 | 652,299 | (1,237,268) | 1,915,471 |
| Venture Investment Associates III | 1,656,273 | 1,498 | (290,927) | 550,160 | 260,731 | 500,096 | (948,564) | 1,468,536 |
| Fleet Growth Resources (Summit) | 1,440,238 | 1,302 | (252,979) | 478,400 | 226,723 | 434,866 | (824,855) | 1,276,972 |
| S.R. One Limited | 1,440,238 | 1,302 | (252,979) | 478,400 | 226,723 | 434,866 | (824,855) | 1,276,972 |
| QFinance (Pharma BioDevelopment) | 1,440,238 | 1,302 | (252,979) | 478,400 | 226,723 | 434,866 | (824,855) | 1,276,972 |
| Private Equity Holdings II, Ltd. | 720,119 | 651 | (126,490) | 239,200 | 113,361 | 217,432 | (412,413) | 638,499 |
| | \$83,749,847 | \$75,702 | (\$14,710,761) | \$27,818,973 | \$13,183,914 | \$25,287,474 | (\$47,965,124) | \$74,256,111 |
| <u>General Partner</u> | | | | | | | | |
| CHP II Management, LLC. | 845,958 | 765 | (389,474) | 3,382,035 | 3,443,326 | 6,641,155 | (484,481) | 10,445,958 |
| Total Partnership | \$84,595,805 | \$76,467 | (\$15,100,235) | \$31,651,008 | \$16,627,240 | \$31,928,629 | (\$48,449,605) | \$84,702,069 |

CHP II, L.P.
Comprehensive Fund Investment Summary
For the Period from April 25, 2000 to September 30, 2005

| Portfolio Company | Investment Cost | GAAP Fair Value | Unrealized Gain (Loss) | Realized Value | Realized Gain (Loss) | Cumulative Investment Return |
|---|--------------------|--------------------|---------------------------|-------------------|-------------------------|------------------------------------|
| <u>Public Company Securities</u> | | | | | | |
| Alnylam Pharmaceuticals, Inc. | \$8,959,015 | \$23,638,131 | \$14,679,116 | \$0 | \$0 | \$14,679,116 |
| Momenta Pharmaceuticals, Inc. | 6,823,506 | 12,993,781 | 10,045,277 | 48,449,605 | 44,574,603 | 54,619,880 |
| <u>Private Company Investments</u> | | | | | | |
| AllianceCare, Inc. | 4,980,410 | 4,980,410 | 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 |
| Cardio-Optics, inc. | 4,521,750 | 4,521,750 | 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) |
| MitralSolutions, Inc. | 1,000,000 | 1,000,000 | 0 | 0 | 0 | 0 |
| Molecular Mining Corporation | 1,509,061 | 27,394 | (1,409,061) | 72,606 | 0 | (1,409,061) |
| Replication Medical, Inc. | 3,052,353 | 8,789,246 | 5,736,893 | 0 | 0 | 5,736,893 |
| Rib-X Pharmaceuticals, Inc. | 4,000,000 | 4,000,000 | 0 | 0 | 0 | 0 |
| SirTris Pharmaceuticals, Inc. | 6,050,000 | 7,280,000 | 1,230,000 | 0 | 0 | 1,230,000 |
| <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 | 409,850 | (7,165,698) | (7,165,698) |
| Investment Portfolio Totals | \$66,609,275 | \$81,257,121 | \$31,928,629 | \$48,931,791 | \$31,651,008 | \$63,579,637 |

TO: The Limited Partners

FROM: John J. Park

DATE: October 15, 2005

SUBJECT: Portfolio Valuations for September 30, 2005

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, 2005.

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, 2005, CHP II holds 2,091,870 shares of Alnylam common stock. None of these shares are subject to any trading restrictions. We therefore propose to value the Alnylam investment at the closing market price on September 30, 2005 of \$11.30 per share. This results in a total valuation of \$23,638,131 with an unrealized gain of \$14,679,116 on our cost basis of \$8,959,015 as of September 30, 2005. This valuation represents an increase of \$8,367,480 from the valuation for Alnylam as of June 30, 2005.

Value Computation:

| | | |
|------------------|-----------|-----------------------|
| Common Stock | | |
| 2,091,870 shares | x \$11.30 | = <u>\$23,638,131</u> |

CHP II, L.P.
Portfolio Valuations as of September 30, 2005
Page 2 of 4

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, 2005. This valuation represents no change from the valuation for AthenaHealth as of June 30, 2005.

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, 2005. This valuation represents no change from the valuation for IntelliCare as of June 30, 2005.

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, 2005
Page 3 of 4

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 \$72,606 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 \$27,394 (\$100,000 - \$72,606). 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, 2005. This valuation represents no change from our carrying value for Molecular Mining as of June 30, 2005.

Value Computation:

$$\begin{array}{rcl} \text{Series B Convertible Preferred Stock} & & \\ 737,422 \text{ shares} & = & \underline{\$27,394} \end{array}$$

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.

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 and producing a realized gain of \$44,574,602.

As of September 30, 2005, 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 September 30, 2005 of \$27.25 per share. This results in a total valuation of \$12,993,781, with a corresponding unrealized gain of \$10,045,277 on our remaining cost basis of \$2,948,504 as of September 30, 2005. Taking into account the distribution completed during the period, this valuation represents a decrease of \$29,912,773 from the valuation for Momenta as of June 30, 2005.

Value Computation:

$$\begin{array}{rcl} \text{Common Stock} & & \\ 476,836 \text{ shares} \times \$27.25 & = & \underline{\$12,993,781} \end{array}$$

CHP II, L.P.
Portfolio Valuations as of September 30, 2005
Page 4 of 4

REPLICATION MEDICAL – On July 21, 2005, Abbott Laboratories invested \$12 million at \$5.00 per shares 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 \$8,789,246, with a corresponding unrealized gain of \$5,736,893 on our cost basis of \$3,052,353 as of September 30, 2005. This valuation represents an increase of \$5,736,893 from the valuation for Replication as of June 30, 2005.

Value Computation:

| | | |
|--------------------------------------|---|--------------------|
| Series B Convertible Preferred Stock | | |
| 2,614,516 shares x \$2.9781 | = | \$7,786,290 |
| Series C Convertible Preferred Stock | | |
| 290,712 shares x \$3.45 | = | <u>1,002,956</u> |
| Total Value | | <u>\$8,789,246</u> |

SIRTRIS PHARMACEUTICALS – On February 25, 2005, Sirtris completed a \$27 million Series B Preferred stock financing priced at \$0.80 per share and valuing the Company at \$30 million pre-money. Two new investors, Three Arch Partners and Cargill Ventures, co-led this financing, with CHP II investing \$3.0 million. We propose to value our investment at the Series B price of \$0.80, resulting in a total value of \$7,280,000, with a corresponding unrealized gain of \$1,230,000 on our cost basis of \$6,050,000 as of September 30, 2005. This valuation represents no change from the valuation for Sirtris as of June 30, 2005.

Value Computation:

| | | |
|--|---|--------------------|
| Series A Convertible Preferred Stock | | |
| 1,600,000 shares x \$0.80 | = | \$1,280,000 |
| Series A-1 Convertible Preferred Stock | | |
| 3,750,000 shares x \$0.80 | | 3,000,000 |
| Series B Convertible Preferred Stock | | |
| 3,750,000 shares x \$0.80 | = | <u>3,000,000</u> |
| Total Value | | <u>\$7,280,000</u> |

CHP II, L.P.
Portfolio Investment Valuation Summary
For the Quarter ended September 30, 2005

| <u>Portfolio Company</u> | <u>Investment</u> | <u>Fair Value</u> <u>06/30/05</u> | <u>Fair Value</u> <u>03/31/05</u> | <u>Change from</u> <u>Prior Quarter</u> | <u>Reason for Change</u> |
|-------------------------------|---------------------|--------------------------------------|--------------------------------------|--|---|
| AllianceCare, Inc. | \$4,980,410 | \$4,980,410 | \$4,980,410 | \$0 | |
| Alnylam Pharmaceuticals, Inc. | \$8,959,015 | \$23,638,131 | \$15,270,651 | \$8,367,480 | Market Price Increase. (note 1) |
| AthenaHealth, Inc. | \$5,000,001 | \$8,181,820 | \$8,181,820 | \$0 | |
| aTyr Pharma, Inc. | \$600,000 | \$600,000 | 0 | \$600,000 | New Investment (note 2) |
| CardioOptics, Inc. | \$4,521,750 | \$4,521,750 | \$4,201,651 | \$320,099 | Follow-on Investment. (note 3) |
| 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 | |
| Mitral Solutions, Inc. | \$1,000,000 | \$1,000,000 | 0 | \$1,000,000 | New Investment (note 4) |
| Molecular Mining Corporation | \$1,436,455 | \$27,394 | \$27,394 | \$0 | |
| Momenta Pharmaceuticals | \$2,948,504 | \$12,993,781 | \$42,906,554 | (\$29,912,773) | Distribution & Market Price Increase (note 5) |
| Replication Medical | \$3,052,353 | \$8,789,246 | \$3,052,353 | \$5,736,893 | Strategic Investment by Abbott. (note 6) |
| Rib-X Pharmaceuticals | \$4,000,000 | \$4,000,000 | \$4,000,000 | \$0 | |
| Sirtiris Pharmaceuticals | \$6,050,000 | \$7,280,000 | \$7,280,000 | \$0 | |
| Total Portfolio | \$49,328,492 | \$81,257,121 | \$95,145,422 | (\$13,888,301) | |

1. CHP II holds 2,091,870 shares of Alnylam common stock. All of these shares are freely tradable and we propose to value our securities at the closing price for Alnylam (NASDAQ:ALNY) as of September 30, 2005 of \$11.30 per share. The closing price for Alnylam for the prior period was \$7.30 per share.
2. On September 9th, CHP II invested \$600K in the \$731K seed round financing for aTyr Pharma, Inc., at a pre-money value of \$750K.
3. During the quarter, CHP II contributed \$320K towards \$800K of bridge financing for Cardio-Optics, in the form of an 8% secured convertible promissory note.
4. During the quarter, CHP II contributed \$1 million towards the \$2.4 million Series B financing for MiralSolutions, Inc. The financing was done at a pre-money valuation of \$3.4 million. Maverick Capital and Health Care Capital were co-investors.
5. On July 19, 2005, CHP II distributed 1,693,450 shares of Momenta common stock to its partners with a market value of \$48.5 million. Post-distribution, CHP II continues to hold 476,836 shares of Momenta common stock. As all of these shares are freely tradable, we propose to value the remaining shares at the closing market price for Momenta (NASDAQ:MNTA) as of September 30, 2005 of \$27.25 per share. The closing price for Momenta for the prior period was \$19.77 per share.
6. During the quarter, Abbott Pharmaceuticals invested \$12 million in the form of a Series D preferred stock priced at \$5.00 per share. As this investment was strategic in nature, in accordance with the valuation policy of CHP II, we propose to value our holdings at the midpoint of the range between \$5.00 per share and the previous per share value for our Replication shares.

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

Provider of comprehensive integrated medical and rehabilitation services.

Period Summary: 3rd Quarter, 2005

While financial performance for 2005 has been disappointing, management has made substantial progress restructuring operations designed to improve results. The synergies from the December 2004 Alliance Care-Mobile Medical merger have materialized more slowly than anticipated. This coupled with longer lead times in opening new markets has resulted in the company missing its aggressive growth forecast for 2005. The 9 de novo new markets opened during the year have proven to be largely successful. The company has operated at EBITDA positive thru Q3 2005 with revenue growth of 26% over 2004. We expect 2005 to show revenues at \$80+ million, but with only \$1 million in EBITDA. The current management team must now prove it is capable of delivering improved financial performance.

While volumes improved significantly in both home health and physician house calls during the quarter, revenues and margins did not follow the trend. Total revenues grew by only 4% over the second quarter. While new markets have experienced revenue growth of 22% as compared to the second quarter, mature markets remained relatively flat quarter to quarter. Most disappointing has been the performance of the rehabilitation services segment that has shown an average quarterly decline in revenue of 3% for 2005. Gross margins for the period were 40% as compared to 44% last quarter and a budget of 46%. This has been primarily caused by margins compression as the revenue mix has shifted from the more profitable Medicare Part B rehabilitation therapy to the lower margin home health segment. Based upon the results for July and August, management put in place some key initiatives during September to improve performance. These include; improved penetration of current facilities in Florida, reduction of Medicare take-backs, staff productivity improvement, reductions in G&A for both the field offices and corporate and new market generation in Texas. The financial impact of these initiatives should begin to be reflected in Q4.

Current availability on the HFG credit line is \$6.5 million, with a balance on the line at September 30th of \$5.5 million. AllianceCare is expected to operate at EBITDA positive for the year, but burn approximately \$2.5 million. Capital resources are tight, but with sound cash management they have adequate resources to support current operations. The investor syndicate is considering a \$6-\$12 million equity financing to provide some working capital cushion, support an accelerated de novo growth program, and possibly some smaller acquisitions.

ALLIANCECARE, INC. (cont.)

FINANCIAL RESULTS: (\$000)

Overview: (FYE 12/31)

| | <i>2001 Actual</i> | <i>2002 Actual</i> | <i>2003 Actual</i> | <i>2004 Actual</i> | <i>2005 Budget</i> |
|-------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Revenues | 23,911 | 30,440 | 33,583 | 41,820 | 96,257 |
| Direct Expenses | 10,967 | 15,872 | 17,013 | 22,808 | 51,816 |
| SG&A | 15,197 | 19,011 | 23,287 | 21,748 | 37,308 |
| EBIT | -2,253 | -4,443 | -6,717 | -2,736 | 7,133 |
| Other Inc. & Exp. | -1,760 | -1,263 | -125 | -87 | -2,116 |
| Net Income | -4,013 | -5,706 | -6,842 | -2,823 | 5,017 |
| EBITDA | -1,248 | -3,966 | -6,174 | -2,230 | +8,055 |

Last Three Months: Quarter Ended September 30, 2005

| | <i>Actual</i> | <i>Budget</i> | <i>Variance</i> |
|-------------------------|---------------|---------------|-----------------|
| Revenues | 19,665 | 25,106 | -5,441 |
| Direct Expenses | 11,800 | 13,630 | +1,830 |
| SG&A | 8,403 | 9,812 | +1,406 |
| EBIT | -538 | 1,664 | -2,202 |
| Interest, Taxes & Other | -630 | -579 | -51 |
| Net Income | -1,168 | +1,085 | -2,253 |
| EBITDA | -323 | +1,905 | -2,228 |

Fiscal Year-to-Date: Nine Months Ended September 30, 2005

| | <i>Actual</i> | <i>Budget</i> | <i>Variance</i> |
|-------------------------|---------------|---------------|-----------------|
| Revenues | 55,420 | 67,415 | -11,995 |
| Direct Expenses | 31,737 | 36,414 | +4,677 |
| SG&A | 24,027 | 26,482 | +2,455 |
| EBIT | -344 | 4,519 | -4,863 |
| Interest, Taxes & Other | -1,592 | -1,599 | +7 |
| Net Income | -1,936 | +2,920 | -4,856 |
| EBITDA | +263 | +5,144 | -4,881 |

ALLIANCECARE, INC. (cont.)

Summary Balance Sheet as of September 30, 2005: (\$000)

| | | | |
|-------------------------|-----------------|----------------------------|-----------------|
| Cash | \$ 922 | Accounts Payable | \$ 2,005 |
| Accounts Receivable | 12,836 | Accrued Expenses | 4,195 |
| Other Current Assets | <u>1,840</u> | Other Current Liabilities | <u>5,962</u> |
| Total Current Assets | 15,598 | Total Current Liabilities | 12,162 |
| Net PP&E | 1,637 | Debt and Other Liabilities | 16,669 |
| Acquired Goodwill (Net) | 27,189 | Shareholders Equity | 44,223 |
| Other Assets | <u>1,185</u> | Retained Earnings | <u>-27,445</u> |
| Total Assets | <u>\$45,609</u> | Total Liabilities & Equity | <u>\$45,609</u> |

Comments:

AllianceCare has had an average monthly cash burn of \$325K for 2005. While, the company has adequate borrowing capacity to cover its operating cash requirements, a financing is likely within the next 6 months to support de novo growth and acquisitions.

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 | 98,041 shares |
| Assigned Fair Value | Investment Cost |
| Investment Cost | \$980,410 |
| Cost per Share | \$10.00 |
| Warrants for Series C Convertible Preferred Stock | 29,412 shares |
| Exercise Price Per Share | \$10.00 |
| % Ownership (Full Dilution) | 7.9% |
| Company Valuation at CHP II Cost | \$63.0 million |
| Company Valuation at Assigned Fair Value | \$63.0 million |

Outlook:

We are confident in the business model at AllianceCare and that financial performance will show improvement. We remain optimistic about the prospects for the company.

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

Therapeutics Based on the Novel Biological Mechanism of RNA Interference

Period Summary: 3rd Quarter, 2005

For the quarter ended September 30, 2005, Alnylam (NASDAQ: ALNY) reported significant progress against their overall clinical and business objectives for 2005. During the quarter, the company continued to advance its pipeline of RNAi therapeutic programs, including the lead Direct RNAi programs for RSV infection, for which it expects to initiate human clinical trials in Q4. The company also executed a major collaboration with Novartis, with a significant upfront cash payment and equity investment. Management has revised its yearend forecast and now expects to end 2005 with cash in excess of \$75 million.

In September 2005, the company announced a major, multi-year alliance with Novartis focused on the discovery, development, and commercialization of innovative therapeutics based on RNAi. If the collaboration is successful and multiple products are developed and commercialized, collective payments to Alnylam could exceed \$700 million, not including royalties. After the close of the agreement in October, Novartis made initial payments totaling approximately \$68.5 million, consisting of \$10.0 million of upfront payments and \$58.5 million from the purchase of approximately 5.3 million shares of the company's common stock, representing a 19.9% interest, at \$11.11 per share.

Financial results for the quarter were in line with expectations. Revenues in the third quarter of 2005 were \$1.4 million, a slight increase from the quarter ended September 30, 2004. Included in revenues in the third quarter was \$0.3 million of cost reimbursement revenues related to the company's collaboration and license agreement with Merck & Co., Inc. for the co-development of RNAi therapeutics for ocular diseases (known as the Merck Ocular Collaboration). The company also recognized revenue of \$0.3 million from a prior upfront payment relating to its collaboration agreement with Cystic Fibrosis Foundation Therapeutics, Inc. (CFFT), and \$0.2 million in revenues derived from licenses to its fundamental intellectual property in RNAi. Research and development (R&D) expenses were \$8.0 million in the third quarter of 2005, including \$1.1 million of non-cash stock-based compensation, as compared to \$4.8 million in the third quarter of 2004, which included \$0.2 million of non-cash stock-based compensation. General and administrative (G&A) expenses were \$4.1 million in the third quarter of 2005, including \$1.1 million of non-cash stock-based compensation, as compared with \$3.0 million in the third quarter of 2004, which included \$0.5 million of non-cash stock-based compensation. At September 30, 2005, Alnylam has a cash balance of \$24.8 million. The company also has \$2 million available on its capital equipment financing line with Lighthouse Capital Partners.

ALNYLAM PHARMACEUTICALS (cont.)

FINANCIAL SUMMARY: (\$000)

Statement of Operations:

| | <u>Three Months Ended</u> | | <u>Nine Months Ended</u> | |
|--------------------------|---------------------------|-----------------|--------------------------|-----------------|
| | <u>09/30/05</u> | <u>09/30/04</u> | <u>09/30/05</u> | <u>09/30/04</u> |
| Revenues | 1,413 | 1,367 | 4,164 | 1,632 |
| Research & Development | 7,995 | 4,831 | 22,557 | 19,425 |
| General & Administrative | <u>4,088</u> | <u>2,962</u> | <u>10,162</u> | <u>8,940</u> |
| Loss from Operations | -10,670 | -6,426 | -28,555 | -26,733 |
| Other Income (Expense) | <u>-8</u> | <u>10</u> | <u>+132</u> | <u>-221</u> |
| Net Income (Loss) | -10,678 | -6,416 | -28,423 | -26,954 |
| Earnings Per Share (\$) | -\$0.51 | -\$0.33 | -\$1.37 | -\$3.14 |

Summary Balance Sheet as of September 30, 2005:

| | | | |
|---------------------------|-----------------|----------------------------|-----------------|
| Cash | \$ 24,809 | Accounts Payable | \$ 1,985 |
| Receivables | 304 | Accrued Expenses | 2,986 |
| Other Current Assets | <u>1,584</u> | Deferred Revenue | <u>5,085</u> |
| Total Current Assets | 26,697 | Total Current Liabilities | 10,056 |
| Net PP&E | 10,760 | Long Term Liabilities | 10,121 |
| Intangible & Other Assets | <u>5,791</u> | Shareholders Equity (Net) | <u>23,071</u> |
| Total Assets | <u>\$43,248</u> | Total Liabilities & Equity | <u>\$43,248</u> |

Comments:

With the Novartis agreement closing in October, management now expects to end 2005 with a cash balance in excess of \$75 million. Current capital resources are forecast to be sufficient to support operations well into 2008.

CHP II, L.P. Holdings:

| | |
|---|------------------|
| Common Stock | 2,091,870 shares |
| Assigned Fair Value (2,091,870 x \$11.30) | \$23,638,131 |
| Investment Cost | \$8,959,015 |
| Cost per Share | \$4.283 |
| % Ownership (Shares Outstanding) | 9.81% |
| Company Valuation at CHP II Cost | \$90.8 million |
| Company Valuation at Market (\$11.30 per share) | \$239.6 million |

CHP II, L.P.

Report for the Quarter Ended September 30, 2005

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

Web-Based Business Practice Management Services for Physician Offices

Period Summary: 3rd Quarter, 2005

Athena has performed well for the first nine months of 2005 as compared to plan, posting better than forecast results for all metrics except revenues. Athena will miss its revenue target for the year due to lower than forecast sales for Q2 and implementations running slightly behind plan. 2005 is expected to be a year of significant investment in sales/marketing along with product development to support its long term growth plan. The company has adequate capital resources to support its continued growth and infrastructure investment, but will likely restructure its debt in the coming months to free up more liquidity. Management forecasts the company to end 2005 with revenues of \$54 million and a sales backlog of \$20 million. 2006 revenues are forecast to be \$85 million, with the company turning profitable by mid-year. Management has begun discussions with investment bankers towards a potential late 2006/early 2007 initial public offering.

Revenues for the quarter were \$13.6 million, an 8% growth over the prior period, although 10% below budget. This shortfall was due to go live delays and some larger accounts coming in below expectations for the period. Gross margin was lower in Q3 than it had been during the first half of the year due to costs associated with the new corporate headquarters (opened in July), plus some non-recurring expenses that were accelerated into Q3, but forecast for Q4. This resulted in EBITDA being negative for the first time in two years. Margins rebounded in September and management expects EBITDA to be solidly positive in Q4. For the year, EBITDA and net income remain well ahead of budget. Sales bookings for the quarter were a record \$8.5 million.

Athena has performed well throughout 2005, while undertaking significant expenditures in infrastructure to support future growth. Revenues have grown 30% over the prior year and sales bookings have grown by 38% over 2004. We continue to view Athena as a very attractive candidate for a liquidity event in the next 12-18 months and management has begun holding initial meetings with leading investment bankers in the sector.

ATHENAHEALTH, INC. (cont.)

FINANCIAL RESULTS: (\$000)

Overview: (FYE 12/31)

| | <i>2001 Actual</i> | <i>2002 Actual</i> | <i>2003 Actual</i> | <i>2004 Actual*</i> | <i>2005 Budget</i> |
|--------------------|--------------------|--------------------|--------------------|---------------------|--------------------|
| Revenues | 3,459 | 11,985 | 24,666 | 39,025 | 58,790 |
| Direct Expenses | 6,480 | 10,137 | 16,148 | 21,520 | 30,833 |
| SG&A | 9,278 | 8,860 | 10,501 | 16,497 | 26,257 |
| EBITDA | -12,299 | -7,012 | -1,983 | 1,008 | 1,700 |
| Depreciation | -1,636 | -2,493 | -2,894 | -3,158 | -4,728 |
| Interest and Taxes | 855 | -55 | -475 | -1,212 | -1,250 |
| Net Income | -13,080 | -9,560 | -5,352 | -3,362 | -4,278 |

* - Subject to Audit

Last Three Months: Quarter Ended September 30, 2005

| | <i>Actual</i> | <i>Budget</i> | <i>Variance</i> |
|--------------------|---------------|---------------|-----------------|
| Revenues | 13,649 | 15,188 | -1,539 |
| Direct Expenses | 7,288 | 8,107 | +819 |
| SG&A | 7,333 | 6,919 | -414 |
| EBITDA | -972 | +162 | -1,134 |
| Depreciation | -1,336 | -1,339 | +3 |
| Interest and Taxes | -415 | -259 | -156 |
| Net Income | -2,723 | -1,436 | -1,287 |

Fiscal Year-to-Date: Nine Months Ended September 30, 2005

| | <i>Actual</i> | <i>Budget</i> | <i>Variance</i> |
|--------------------|---------------|---------------|-----------------|
| Revenues | 38,304 | 41,348 | -3,044 |
| Direct Expenses | 19,767 | 22,543 | +2,776 |
| SG&A | 18,638 | 19,221 | +583 |
| EBITDA | -101 | -416 | +315 |
| Depreciation | 3,171 | -3,426 | +255 |
| Interest and Taxes | 1,065 | -885 | -180 |
| Net Income | -4,337 | -4,727 | +390 |

ATHENAHEALTH, INC. (cont.)

Summary Balance Sheet as of September 30, 2005: (\$000)

| | | | |
|----------------------|-----------------|----------------------------|-----------------|
| Cash | \$ 11,029 | A/P and Accrued Expenses | \$ 6,426 |
| Accounts Receivable | 6,399 | Deferred Revenue | 3,778 |
| Other Current Assets | <u>1,257</u> | Current Portion of Debt | <u>8,072</u> |
| Total Current Assets | 18,685 | Total Current Liabilities | 18,276 |
| Net PP&E | 13,354 | Long Term Liabilities | 15,103 |
| Intangibles (Net) | 3,328 | Shareholders Equity | 51,088 |
| Other Assets | <u>150</u> | Retained Earnings | <u>-48,950</u> |
| Total Assets | <u>\$35,517</u> | Total Liabilities & Equity | <u>\$35,517</u> |

Comments:

Athena is \$1 million behind on its cash forecast due to accelerated costs in Q3 related to the new corporate headquarters and the AthenaIndia initiative. The company expects to turn cash flow positive again by November. Management is exploring options to restructure its long term debt and free up some more liquidity by year-end to support continued operational expansion.

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.

TO: The Limited Partners

FROM: The General Partner

DATE: September 9, 2005

SUBJECT: Investment in aTyr Pharmaceuticals, Inc.

On September 9, 2005, Cardinal invested \$600K in the \$732K start-up financing for aTyr Pharma, Inc., ("aTyr") a biopharmaceutical company developing novel protein biologics for regenerative medicine. aTyr was co-founded by Cardinal Partners and Dr. Paul Schimmel of The Scripps Research Institute. Dr. Schimmel is a founder or founding director of eleven biotechnology companies, of which five (Alkermes, Inc., Repligen Corporation, and Cardinal portfolio companies Alnylam Pharmaceuticals, Inc., Cubist Pharmaceuticals, Inc., and Momenta Pharmaceuticals, Inc.) are publicly traded. This funding is targeted to bring the company through the initial technology patent, licensing and proof of concept phase. The pre-money valuation for the financing was \$750K with Cardinal currently owning 40% of the company on a fully diluted basis. John Clarke and John Park will represent CHP II on the aTyr Board of Directors.

aTyr is currently operating as a virtual company with one employee located in Cardinal's offices in Princeton, NJ.

Business Summary:

aTyr Pharma's corporate mission is to develop novel protein biologics for regenerative medicine. These biologics are naturally-occurring factors belonging to the aminoacyl-tRNA synthetase (ARS) and ARS-interacting multi-functional protein (AIMP) families. These proteins are all involved in cellular protein translation. In addition, individual ARSs and AIMPs have distinct cell signaling functions that make them regulators of angiogenesis, (the biological process by which new blood vessels develop from the preexisting vasculature), apoptosis (programmed cell death), cell proliferation and migration, and wound healing. The company's initial platform is therapeutics for revascularization and skin regeneration. Target markets for aTyr development programs include vascular and cardiovascular disease, wound healing, and cosmeceutical products (skin restoration and skin rejuvenation).

ATYR PHARMA (cont.)

Technology:

ARS and Angiogenesis

During the past six years, a universal protein tyrosyl-tRNA synthetase—or TyrRS—was discovered to be a regulator of angiogenesis. This new discovery was made in the laboratory of Paul Schimmel, Professor at The Scripps Research Institute. The Schimmel Laboratory found that TyrRS is a regulator of angiogenesis in addition to being a key player in the synthesis of proteins. It was the first example of a tRNA synthetase that was also a cell signaling protein. Since that first discovery, several additional ARSs have been discovered to participate in various cell signaling events.

aTyr Pharma is developing a protein fragment of human TyrRS (mini TyrRS) as a new strategy for the induction of therapeutic blood vessel growth. Induction of angiogenesis (the biological process by which new blood vessels develop from the preexisting vasculature) and arteriogenesis (the biological process by which collateral vessels develop) have been proposed as a promising therapeutic strategy to treat myocardial and limb ischemia due to atherosclerotic blockage. In preclinical models, mini TyrRS stimulates blood vessel growth and acts upon endothelial cells—the cells that line blood vessels—and monocytes—immune cells that potentiate and support blood vessel growth. Mini TyrRS may be particularly useful in the clinical treatment of myocardial infarction or limb ischemia via neovascularization, stimulation of endothelial growth, and promotion of wound healing. Ongoing pre-clinical research to evaluate mini TyrRS in models of peripheral vascular disease is underway to further development of the biologic.

AIMPS and Regeneration

AIMP1 is an immunostimulatory cytokine which promotes rejuvenation of healthy skin and speeds the healing of cutaneous wounds in damaged skin. AIMP1 was discovered over a decade ago as a protein fragment with endothelial and monocyte activating properties (EMAPII). The EMAPII fragment was a portion of the larger AIMP protein with multiple biological functions. Recent investigations by Dr. Kim, Professor at Seoul National University, demonstrated that AIMP1 is a promising new therapy in dermatology.

The outermost epidermal layer of the skin is the first barrier against the environment. This layer is made up mainly of keratinocytes, which produce substances that regulate the biological responses that maintain healthy skin. The underlying layer of skin is the dermis, which supplies nutrients, water, and structural support to the epidermis. Fibroblasts within the dermis are the main source of collagen and other extracellular matrix proteins that create and maintain the structural appearance of skin. With age and environmental damage, the cellular and structural integrity of skin become weakened.

ATYR PHARMA (cont.)

In pre-clinical models, treatment of open wounds with recombinant human AIMP1 stimulated dermal fibroblast proliferation, collagen production, and wound closure. In contrast, depletion of the naturally occurring AIMP1, by gene disruption, slowed wound repair, showing that AIMP1 is a natural factor used in the healing process and that therapeutic treatments are beneficial aides to healing. AIMP1 increases collagen production by activating skin keratinocytes and fibroblasts, even in undamaged skin, which makes it an ideal candidate to restore age-related skin damage and rejuvenate the appearance.

Target Markets:

Cardiovascular disease is the leading cause of death in the United States, killing approximately one million people every year, and affecting the lives of about 35% of the population. Cardiovascular disease is a chronic disease of atherosclerosis. Atherosclerosis is characterized by an abnormal thickening and hardening of the walls of arteries, plaque formation and occlusion of blood flow and can cause myocardial infarction (heart attack) and peripheral vascular blockage. These diseases represent a large market with an unmet medical need that may benefit from revascularization (induction of blood vessel growth). The initial therapeutic indication is peripheral vascular disease, which can lead to reduced mobility, extremity pain, and in the most severe cases, loss of limbs.

Pressure ulceration is a long-term consequence of reduced peripheral blood flow and is a complication seen in the extremities of diabetics. This indication, in addition to other wound healing applications, represents another market of unmet medical needs where an AIMP biologic could improve skin tissue regeneration or an ARS biologic could stimulate regeneration by revascularizing the surrounding areas.

Beyond the repair of severely damaged skin wounds and burns, the cosmeceutical market represents a huge opportunity for AIMP biologics that enhance skin restoration and rejuvenate the skin's properties to counteract the effects of aging.

Intellectual Property Development and In-Licensing:

There is one key patent application by Schimmel and Wakasugi that covers the composition and pharmaceutical formulation of mini TyrRS. At the present time, Novartis holds development rights to Mini TyrRS through a licensing arrangement with TSRI. The initial approach will be to negotiate a sub-license with Novartis. If that is unsuccessful, the company will explore a new composition of matter approach with counsel.

ATYR PHARMA (cont.)

Columbia University has three issued patents covering AIMP1 and EMAPII composition of matter and use. Discussions for a license with Columbia are ongoing and look promising. IMAGENE, Inc. is expected to acquire the AIMP1 patent estate of Sunghoon Kim at Seoul National University and in turn negotiate with aTyr Pharma. The patent filings by Kim are method of use with rather weak claims. In informal discussions with Sung Kim, he has agreed for aTyr Pharma to take control of the patent applications and filings, at our cost, in order to strengthen the patent portfolio.

Product Development:

The approach to developing these novel biologics is to focus on the key pre-clinical animal models that support Phase I trials during the first 12-18 months. The company has ongoing collaborations for these pre-clinical efficacy studies with investigators at major research institutions. For pro-angiogenic applications, the key models have been selected to support applications for peripheral vascular disease. Additional indications will be in cardiovascular disease (including in conjunction with devices) and wound healing. On the cosmeceutical side, injectable formulations for wrinkle reduction and volume-filling will be the initial indications.

Each of the ARS and AIMPs is readily produced by recombinant technology, with straightforward manufacturing methodologies. Our ability to manufacture highly purified protein at low cost is an important feature that supports clinical advancement. In addition to manufacturing, toxicology and regulatory studies needed to support the first studies in man will be performed in preparation for clinical trials. ARS and AIMPs are natural factors, which are not expected to pose any concern in toxicity studies because they are part of the bodies own way of working to speed healing and vessel development.

Management:

Karla L. Ewalt, Ph.D. – President: Prior to joining aTyr Pharma, Dr. Ewalt was a founder and Vice-President of Angiosyn, a biotech company that developed tryptophanyl-tRNA synthetase derived biologics for the regulation of unwanted angiogenesis such as occurs in patients with macular degeneration. Angiosyn was acquired in 2005 by Pfizer. Dr. Ewalt began studying the therapeutic potential of aminoacyl-tRNA synthetases as a Staff Scientist at the Scripps Research Institute, where she led the team investigating cell signaling functions of TyrRS and TrpRS. She also previously held a Research Scientist position at Nanogen and Maxim Pharmaceuticals. She is the author/co-author of 22 scientific articles and co-inventor of 2 patents. Dr. Ewalt holds a B.S. in Chemistry from the University of Illinois at Urbana-Champaign and a Ph.D. in Chemistry from the University of California, San Diego. Dr. Ewalt was an American Cancer Society postdoctoral fellow at Memorial Sloan Kettering Cancer Center.

ATYR PHARMA (cont.)

Scientific Founders and Collaborators:

Paul Schimmel, Ph.D. – Scientific Founder: 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 public companies Alkermes, Alnylam, Cubist, Momenta, and Repligen.

Sunghoon Kim, Ph.D. - Scientific Collaborator: Dr. Kim is a Professor in the School of Pharmacy and Director of the National Creative Research Initiatives Center for ARS Networks at Seoul National University. His research is focused on elucidating the novel functional network of the twenty different human aminoacyl-tRNA synthetases (ARS) and ARS-interacting multifunctional proteins (AIMPS), which are non-enzymatic partners of ARSs. Due largely to the work of Dr. Kim and Dr. Schimmel, ARSs are now known to participate in a wide variety of functions, including transcription, translation, splicing, inflammation, angiogenesis and apoptosis. Similarly to ARSs, AIMP has novel functions unrelated to their support role in protein synthesis. He has over 80 published articles, is a co-inventor on numerous patent applications, and has been a frequently invited speaker at many international conferences and institutions. Dr. Kim is a member of Korea National Academy of Science, and plays key roles in many academic societies and government committees in Korea. Dr. Kim received his BS in Pharmacy at Seoul National University and received a MS in Biological Sciences from KAIST. He received a PhD in Molecular Biology at Brown University and was a post-doctoral fellow at MIT. He was a Senior Scientist at Cubist Pharmaceuticals prior to returning to academics as an Associate Professor in Sung Kyun Kwan University.

Eleni Tzima, Ph.D. - Scientific Consultant: Dr. Tzima is an Assistant Professor of Cell and Molecular Physiology in the School of Medicine and the Carolina Cardiovascular Biology Center and the Lineberger Cancer Center at the University of North Carolina, Chapel Hill. Her research is centered on the mechanisms of vascular endothelial cell signaling and angiogenesis in response to hemodynamic stimuli and has authored/co-authored 17 scientific publications. She was an awardee of a Wellcome Trust Fellowship, a Medical Research Council Award, a Royal Society Fellowship and a British Heart Foundation Award (UK). She received a B.S. and Ph.D. degree from the University of Leeds, UK and conducted postdoctoral research at the Scripps Research Institute as an American Heart Association Fellow.

ATYR PHARMA (cont.)

Xianglei Yang, Ph.D. - Scientific Consultant: Dr. Yang is a Senior Research Associate at The Scripps Research Institute, where she focuses her research on the molecular mechanism and structural basis of the cytokine activities associated with human aminoacyl-tRNA synthetases. Shortly after joining the Schimmel Laboratory as a post-doctoral fellow in 2000, she solved the first structure of a human TyrRS and has gone on to develop a chemical understanding of the structural features important for the pro-angiogenic function of Mini TyrRS. She holds a B.S. degree in Biomedical Engineering from The Capital University of Medical Sciences in Beijing, China and a Ph.D. in Biophysics and Computational Biology from the University of Illinois at Urbana-Champaign.

Financing Projections:

aTyr is a development stage bio-pharmaceutical company and will not generate product revenues for some time. The initial seed financing of \$732K will be used primarily to fund patent filings, licensing agreements and proof of concept research. We expect the company to initiate a first round of institutional financing of at least \$3 million by the end of 2006 on the basis of a solidified IP portfolio and pre-clinical progress in one or both of its lead programs. Upon completion of the first round financing, we anticipate the company will cease being virtual, relocating to its own facility and building a scientific and management organization. A more substantial second round of financing would be likely in year 3 of the investment. Cardinal has reserved \$6 million for investment in these two rounds of financing and anticipates being diluted to 12%-15% ownership on a fully diluted basis over the life of the investment. Investor liquidity is expected in year 4 or 5 of the investment.

Outlook:

aTyr Pharma is focused on an emerging technology with many potential therapeutic and cosmetic targets. The technology also will require a relatively small investment to validate its initial targets. While at a very early stage of development, we believe that ARS and AIMP biologics have near-term potential and tremendous long-term opportunities in regenerative medicine, both for cardiovascular disease and cosmeceutical dermatology.

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

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

Period Summary: 3rd Quarter, 2005

Cardio-Optics had many significant accomplishments during the quarter. The company received an acceptance letter from the FDA on the 510k submission for the CSA™ System and completed its first sale of the system, moved the transparent electrode ablation project closer to initial animal testing, and reached agreement on terms for a \$22-\$24 million financing with Novo Ventures. To support this activity, in August the current investor syndicate contributed an additional \$800K to the outstanding \$3 million bridge loan, in the form of 8% secured convertible promissory notes. Each investor contributed its pro rata portion to the financing, with Cardinal investing \$320K. These funds will support current operations to the closing of the second round financing expected in Q4.

Financial results for the quarter reflect the acceleration of the product development programs as approved by the Board last December. SG&A expenses for the period were higher than forecast from costs associated with relocation of corporate headquarters and the acceleration of production costs on the company's lead program post-acceptance by the FDA in July. Other expenses were in line with expectations. Average monthly cash burn for the year stands at \$350K, in line with expectations.

In July, the company received approval to begin marketing its CSA™ System in the United States and subsequently received its first order in early October. Management expects to complete a second sale in Q4 and will hire its first sales associate in November. Management is projecting sales of its CSA™ system totaling \$5 million in 2006, while moving forward its second product to an IDE filing during the year.

In September, the company agreed to terms of a \$22-\$24 million second round financing to be led by Swedish investor Novo A/S. The terms of the financing value the company at \$27.5 million pre-money, approximately 2.3 times our current carrying value. Cardinal will invest a total \$3.2 million, including the conversion of \$1.6 million in convertible promissory notes with accrued interest. Cardinal will also receive 192,248 shares for the waiver of \$634K of accrued dividends on its Series A shares. Post-financing, Cardinal will own ~19.5% of the company. This financing is expected to be sufficient to fund operations through 2007, when the company forecasts turning cash flow positive.

With the financing near completion, key milestones for the company for the coming months are: building the internal infrastructure to support the marketing and sales of the CSA™ System; and progression of the transparent electrode project to the point of IDE submission to the FDA. We are excited about the progress the company has made in 2005 and confident that the company will meet its objectives and provide a superior return.

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 Budget</i> |
|--------------------|--------------------|---------------------|---------------------|--------------------|
| Revenues | 0 | 0 | 0 | 108 |
| Cost of Sales | 0 | 0 | 0 | 75 |
| R&D Expenses | 1,000 | 1,031 | 2,020 | 2,157 |
| SG&A | 1,527 | 1,036 | 1,022 | 4,551 |
| EBIT | -2,527 | -2,067 | -3,042 | -6,675 |
| Interest and Taxes | 23 | -31 | 3 | +95 |
| Net Income | -2,504 | -2,098 | -3,039 | -6,580 |

* - Subject to Audit

Last Three Months: Quarter Ended September 30, 2005

| | <i>Actual</i> | <i>Budget</i> | <i>Variance</i> |
|--------------------|---------------|---------------|-----------------|
| Revenues | 0 | 0 | 0 |
| Cost of Sales | 0 | 0 | 0 |
| R&D Expenses | 466 | 490 | +24 |
| SG&A | 1,194 | 1,091 | -103 |
| EBIT | -1,660 | -1,581 | -79 |
| Interest and Taxes | -64 | 0 | -64 |
| Net Income | -1,724 | -1,581 | -143 |

Fiscal Year-to-Date: Nine Months Ended September 30, 2005

| | <i>Actual</i> | <i>Budget</i> | <i>Variance</i> |
|--------------------|---------------|---------------|-----------------|
| Revenues | 0 | 0 | 0 |
| Cost of Sales | 0 | 0 | 0 |
| R&D Expenses | 819 | 865 | +46 |
| SG&A | 3,241 | 2,896 | -345 |
| EBIT | -4,060 | -3,761 | -299 |
| Interest and Taxes | -128 | 0 | -128 |
| Net Income | -4,188 | -3,761 | -427 |

CARDIO-OPTICS, INC. (cont.)**Summary Balance Sheet as of September 30, 2005: (\$000)**

| | | | |
|----------------------|-----------------|------------------------------|-----------------|
| Cash | \$ 574 | Accounts Payable | \$ 312 |
| Inventory | 245 | Accrued Expenses | 798 |
| Other Current Assets | <u>9</u> | Convertible Promissory Notes | <u>3,930</u> |
| Total Current Assets | 828 | Total Current Liabilities | 5,040 |
| Net PP&E | 312 | Long Term Debt - Lease line | 7 |
| Intangibles (Net) | 0 | Shareholders Equity | 11,384 |
| Other Assets | <u>88</u> | Retained Earnings | <u>-15,203</u> |
| Total Assets | <u>\$ 1,228</u> | Total Liabilities & Equity | <u>\$ 1,228</u> |

Comments:

Average cash burn for 2005 (\$350K per month) is higher than originally forecast due to the program acceleration approved late last year. In August, the investor syndicate bridged the company an additional \$800K. These funds will allow the company to continue its accelerated program until the completion of a \$22-24 million 2nd round financing in Q4.

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 |
| 8% Secured Convertible Promissory Notes (principal balance) | \$1,520,471 |
| % Ownership (Full Dilution) | 25.0% |
| Company Valuation at CHP II Cost | \$12.0 million |
| Company Valuation at Assigned Fair Value | \$12.0 million |

Outlook:

We remain very 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, 2005

Over the first nine months 2005, CodeRyte has experienced terrific success in sales bookings and is almost 50% ahead of its sales plan for the year. While the company has been very successful in terms of new customer sales, growth related implementation issues have hindered revenues, which are below expectations. By year-end, much of the implementation bottleneck issues are expected to be resolved, but it will take some time to clean up the current backlog. The company has almost completed its senior management team, including new addition Frank Taylor as CFO this quarter. Management has approached the investor syndicate about a follow-on financing round to close in Q4.

Despite falling short of plan for the period, financial results continue to improve. Revenues grew 8% over the prior quarter, with EBITDA and net loss both coming in ahead of forecast. New business booked for the quarter totaled \$1.7 million in annualized revenues. Monthly revenues are currently >\$275K, with breakeven forecast at \$800K. Contracted backlog currently exceeds \$350K in monthly revenues. Monthly cash burn has averaged \$500K for the first nine months of 2005, in line with expectations. Monthly cash burn is expected to increase to \$600K over the next 6 months as further infrastructure is put into place to meet expected growth.

The client support team continues to actively recruit to meet demand and shorten the implementation time cycle. The implementation team has new senior leadership and is developing new applications to streamline customer implementations and reduce implementation timeframes. Over the last month, the process has shown improvement, leading to more predictable timeframes.

Chief Financial Officer John Taylor joined CodeRyte's senior executive team in August 2005. He previously served as a venture capital consultant to Nokia Venture Partners and Warburg Pincus, where he evaluated a variety of investment opportunities in the technology and telecommunications industries. Mr. Taylor was also senior vice president of consumer markets and vice president of corporate development for LCI, now Qwest Communications, where he spearheaded the integration process following two different acquisitions and oversaw a division with more than \$800 million in revenue and more than 1,100 employees.

As the company continues to meet the challenges of high growth, we are encouraged by the success the company is having in the marketplace versus its competition. The confidence of the CodeRyte investor syndicate is demonstrated by the fact the follow-on financing will likely be an insider led round of \$5-\$10 million.

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 Budget**</i> (Calendar) |
|------------------------|----------------------------------|----------------------------------|-----------------------------------|------------------------------------|
| Revenues | 332 | 743 | 1,502 | 5,989 |
| Cost of Sales | 0 | 0 | 0 | 0 |
| Operating Expenses | 1,762 | 2,576 | 2,682 | 9,613 |
| EBITDA | -1,430 | -1,833 | -1,180 | -3,624 |
| Depreciation & Amort. | -23 | -12 | -7 | -225 |
| Other Income (Expense) | -96 | 462 | -169 | 0 |
| Net Income | -1,549 | -1,383 | -1,356 | -3,849 |

* - Subject to Audit

** - Represents Calendar 2005 Forecast

Last Three Months: Quarter Ended September 30, 2005

| | <i>Actual</i> | <i>Budget</i> | <i>Variance</i> |
|------------------------|---------------|---------------|-----------------|
| Revenues | 807 | 1,153 | -346 |
| Cost of Sales | 0 | 0 | 0 |
| Operating Expenses | 2,391 | 2,871 | +480 |
| EBITDA | -1,584 | -1,803 | +134 |
| Depreciation & Amort. | -13 | -2 | -11 |
| Other Income (Expense) | +22 | +34 | -12 |
| Net Income | -1,575 | -1,686 | +111 |

Fiscal Year-to-Date: Three Months Ended September 30, 2005

| | <i>Actual</i> | <i>Budget</i> | <i>Variance</i> |
|------------------------|---------------|---------------|-----------------|
| Revenues | 2,212 | 2,613 | -401 |
| Cost of Sales | 0 | 0 | 0 |
| Operating Expenses | 6,930 | 7,697 | +767 |
| EBITDA | -4,718 | -5,084 | +366 |
| Depreciation & Amort. | -32 | -11 | -21 |
| Other Income (Expense) | +71 | +34 | +37 |
| Net Income | -4,679 | -5,061 | +382 |

CODERYTE, INC. (cont.)**Summary Balance Sheet as of September 30, 2005: (\$000)**

| | | | |
|----------------------|-----------------|-----------------------------|-----------------|
| Cash | \$ 3,503 | Accounts Payable | \$ 7 |
| Accounts Receivable | 1,042 | Accrued Expenses | 1,005 |
| Other Current Assets | <u>40</u> | Deferred Revenue | <u>740</u> |
| Total Current Assets | 4,585 | Total Current Liabilities | 1,752 |
| Net PP&E | 145 | Long Term Debt - Lease line | 0 |
| Intangibles (Net) | 0 | Shareholders Equity | 16,006 |
| Other Assets | <u>15</u> | Retained Earnings | <u>-13,013</u> |
| Total Assets | <u>\$ 4,745</u> | Total Liabilities & Equity | <u>\$ 4,745</u> |

Comments:

The company is currently \$250K behind its cash flow forecast. Monthly burn is expected to accelerate to \$600K over the next few months as the company builds its infrastructure and then moderate. Current capital is expected to last into 2006 and the investor syndicate is preparing for a follow-on financing round in Q4 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, distinct economic advantage over competitive services, 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: 3rd Quarter, 2005

After one year of seeking a potential buyer for IntelliCare and the termination of the investment banker last quarter due to lack of progress, a new party stepped into the process this quarter and made an acceptable offer to acquire the company. As September came to a close, the IntelliCare Board accepted an acquisition offer of \$20 million cash from a publicly held leading provider of healthcare products and services to patients suffering from chronic diseases. The transaction is expected to close in the next two months and will provide Cardinal with a return in excess of our current carrying value. Financially, IntelliCare has met most of its financial targets for 2005 and is operating on a cash flow positive basis. The company is \$550K ahead of its cash flow forecast for the year.

Financial results for the period met or exceeded expectations in all areas except revenue. Revenues for the quarter were disappointing, but margins showed significant improvement. Operating expenses were 15% better than expectations due to lower headcount and reduced product development costs. The company's cash position decreased by \$250K during the quarter, due to three payrolls in September. Cash flow is positive for the year and \$800K ahead of plan. Management expects to operate at cash flow positive for the remainder of 2005.

After settlement of all outstanding liabilities of IntelliCare, the terms of the acquisition offer will cover all of the preferential return of the Series C investors and almost 75% of the Series B preference. The total return for Cardinal will be ~\$3.25 million, including \$775K to be held in escrow for one year. We believe that in the current environment, this was a fair offer for the company. The company is well along in the process of negotiating the definitive agreement for the transaction. We expect the acquisition to close by mid-November.

INTELLICARE AMERICA (cont.)

FINANCIAL RESULTS: (\$000)

Overview: (FYE 12/31)

| | <i>2001 Actual</i> | <i>2002 Actual</i> | <i>2003 Actual</i> | <i>2004 Actual*</i> | <i>2005 Budget</i> |
|--------------------|--------------------|--------------------|--------------------|---------------------|--------------------|
| Revenues | 5,483 | 7,504 | 13,550 | 14,296 | 19,180 |
| Direct Expenses | 6,593 | 6,945 | 11,019 | 11,489 | 13,911 |
| SG&A | 5,195 | 4,024 | 5,274 | 3,535 | 3,638 |
| EBITDA | -4,085 | -3,465 | -2,743 | -728 | 1,631 |
| Depreciation | -184 | -435 | -712 | -928 | -730 |
| Interest and Taxes | +60 | -3 | -5 | -53 | -58 |
| Net Income | -4,209 | -3,903 | -3,460 | -1,709 | 843 |

* - Subject to Audit

Last Three Months: Quarter Ended September 30, 2005

| | <i>Actual</i> | <i>Budget</i> | <i>Variance</i> |
|--------------------|---------------|---------------|-----------------|
| Revenues | 4,035 | 4,727 | -692 |
| Cost of Revenues | 2,870 | 3,437 | +567 |
| SG&A | 772 | 924 | +152 |
| EBITDA | 393 | 366 | +27 |
| Depreciation | -175 | -184 | +9 |
| Interest and Taxes | -27 | -14 | -13 |
| Net Income | 191 | 168 | +23 |

Fiscal Year-to-Date: Nine Months Ended September 30, 2005

| | <i>Actual</i> | <i>Budget</i> | <i>Variance</i> |
|--------------------|---------------|---------------|-----------------|
| Revenues | 13,228 | 13,490 | -262 |
| Cost of Revenues | 9,923 | 9,856 | -67 |
| SG&A | 2,382 | 2,666 | +284 |
| EBITDA | 923 | 968 | -45 |
| Depreciation | -509 | -535 | +26 |
| Interest and Taxes | -69 | -42 | -27 |
| Net Income | 345 | 391 | -46 |

INTELLICARE AMERICA (cont.)

Summary Balance Sheet as of September 30, 2005: (\$000)

| | | | |
|----------------------|-----------------|----------------------------|-----------------|
| Cash | \$ 1,305 | Accounts Payable | \$ 534 |
| Accounts Receivable | 1,829 | Accrued Payroll | 596 |
| Other Current Assets | <u>182</u> | Other Current Liabilities | <u>1,481</u> |
| Total Current Assets | 3,316 | Total Current Liabilities | 2,611 |
| Net PP&E | 983 | Long Term Liabilities | 48 |
| Intangibles (Net) | 0 | Shareholders Equity | 20,159 |
| Other Assets | <u>41</u> | Retained Earnings | <u>-18,478</u> |
| Total Assets | <u>\$ 4,340</u> | Total Liabilities & Equity | <u>\$ 4,340</u> |

Comments:

The company is currently \$550K ahead on its cash flow budget and should be cash flow positive for the remainder of 2005. Current capital is more than sufficient to support operations to the closing of the expected acquisition transaction in Q4.

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:

With an acquisition transaction almost complete, our expectation is that the sale will return in excess of our current carrying value.

TO: The Limited Partners

FROM: The General Partner

DATE: August 21, 2005

SUBJECT: Investment in MitralSolutions, Inc.

On August 21, 2005, Cardinal invested \$1.0 million in the initial stage of the \$7.2 million first round financing for MitralSolutions, Inc. (“Mitral”). The financing was led by Cardinal Partners and included co-investors Maverick Capital and Health Care Capital Partners. The financing was completed at a pre-money value of \$3.4 million. The financing is being staged with the initial closing of \$2.4 million completed in August and a second closing of \$4.8 million with the execution of a specified licensing agreement expected in Q4 2005. Cardinal will invest an additional \$2.25 million in the second closing for a total of \$3.25 million and a 30.7% ownership position on a fully diluted basis. Lisa Skeete Tatum will represent CHP II on the company’s Board of Directors.

The financing will support further research and development efforts and fund preliminary human trials for the company’s lead product. The company is currently located in Ft. Lauderdale, FL.

History:

MitralSolutions, Inc. was founded in February of 2004 based on cardiovascular intellectual property it acquired from MD3 Technologies, LLC (“MD3”), a product development company dedicated to finding innovative solutions for medical device applications. Congestive heart failure (“CHF”) is a global epidemic and mitral regurgitation (MR) is a major accelerator of the progression of CHF. While at MD3, Richard G. Cartledge, MD and Ralph Gaskins, MD, both of whom are company advisors, filed unique IP in August of 2003 for a product that would provide the cardiovascular surgeon or interventional cardiologist the ability to implant a device that could be adjusted both during and after the mitral valve repair procedure. It was believed that this device would completely reduce MR, avoiding unnecessary replacement of the mitral valve, reducing the risk of mortality associated with the surgical approach, and ultimately providing a minimally invasive approach to mitral valve repair.

Since its inception in February of 2004, MitralSolutions raised \$167,000 in seed capital from its founders to acquire the IP developed by MD3, hired a CEO, and began engineering of initial prototypes of the Company’s introductory surgical product.

MITRALSOLUTIONS (cont.)

Overview of Products:

The Company's product portfolio consists of an open surgical delivery system, as well as a percutaneous delivery system, which the Company believes will drive further mitral valve repair adoption and significant market expansion.

Open Surgical

The Company's first product is comprised of an adjustable annuloplasty ring hat will be implanted during open surgery and sutured into position "on-pump". Adjustments to the mitral annulus for reduction in MR will be made "off-pump" on a beating heart with an adjustment tool via the superior pulmonary veins (a familiar route of access for the surgeon), for confirmation of MR reduction under normal conditions. The "one-size only" annuloplasty ring eliminates the need for sizing at the time of implant and completely covers the mitral annulus. This initial product will allow the surgeon to suture the annuloplasty ring into place, adjust or customize the diameter of the annulus under normal physiologic conditions and confirm total reduction in MR prior to ending the procedure. The Company estimates that the open surgical ring will begin generating revenue in the second half of 2006 under a 510(k) clearance.

Percutaneous

The Company believes that its percutaneous device will provide even greater patient benefits and substantially reduce procedural costs and patient risk. The percutaneous method of delivery allows patients with ischemic-related MR and CHF to be treated by the interventional cardiologist at a very early stage in their disease without the trauma of open surgery. The percutaneous platform will access the mitral valve via the standard femoral artery approach, into the left ventricle, transecting the mitral valve. The device is then implanted from above the mitral value through the left atrium. This method of delivery uniquely avoids more dangerous approaches via the coronary sinus, eliminating the potential for thrombosis, damage to the left circumflex artery, or potential rupture of the coronary sinus.

The percutaneous system is estimated to begin generating revenue internationally in the first quarter of year six (following receipt of CE mark) and domestically in the third quarter of year six (upon pre-market approval).

MITRALSOLUTIONS (cont.)

Target Markets:

MR has been identified as a major accelerator in CHF, which affects 5.5 million Americans and 23 million people worldwide, with an annual growth rate of approximately 10% as more people are surviving myocardial infarction (“MI”), or heart attack. It is estimated that 15% of all CHF patients have clinically relevant MR, and 20% of all MI patients will develop ischemic-related MR.

The current worldwide heart valve market, including valve repair and replacement products, is estimated to be over \$1 billion. Of this amount, the valve repair market is approximately \$74 million, the majority of which is mitral valve repair. The mitral valve repair market is presently the smallest segment of the valve market, but has the highest growth rate and is receiving the most research and development spending. Currently available annuloplasty rings are marketed for between \$2,400 and \$2,600 per unit. Repair, versus replacement, of the mitral valve is the preferred procedure, but is currently limited by poor technology and repair procedure challenges.

The Company believes that the market for mitral valve repair will significantly increase and accelerate over the next five years due to several market drivers. Valve replacement or repair has historically been highly invasive with a higher associated mortality than with coronary artery bypass grafting (“CABG”). This has delayed the referral of patients for repair or replacement until MR was severe enough, thus negating the positive benefits associated with early intervention. More specifically, the mitral valve repair market has been severely limited by procedural challenges, lack of technology and limited confidence of results.

Product Development:

Product development will consist of a combination of internal and outsourced engineering. The Company’s “in-house” engineers will be intimately involved in the management of the open surgical product designs and development process. However, the detailed product design and development will be outsourced to an established contract medical device engineering firm with cardiovascular device experience and located in close geographical proximity to the Company. Through the outsourcing of its product development, the Company will take advantage of GMP (good manufacturing practices) and ISO certifications and FDA quality systems to ensure regulatory compliance and reduce development time.

MITRALSOLUTIONS (cont.)

Compared to the percutaneous device, the open surgical device will have the shortest clinical and regulatory path. The open surgical product will leverage a 501(k) FDA clearance based on the predicate annuloplasty ring, which has been downgraded from a Class III to a Class II device, therefore having a shorter clinical path to approval.

The percutaneous device will be concurrently developed by MitralSolutions' in-house engineers in conjunction with the Company's outsourced engineering partner. A new diagnostic-related group ("DRG") will be created, increasing the reimbursement for percutaneous valve repair.

Management:

Mitral is currently operating as a virtual company with one employee operating out of Ft. Lauderdale, FL. The company plans to recruit additional senior level engineering and administrative personnel and relocate to a more permanent facility in southern Florida over the next 6 months.

James L. Greene – President and CEO: Mr. Green has over 17 years of medical device and biologic experience focused on the treatment of cardiovascular diseases. Mr. Greene most recently served as the Executive Vice President of Operations for Bioheart, Inc., an early stage company focused on the treatment of congestive heart failure through the surgical and percutaneous delivery of autologous cell therapy. While at Bioheart, Mr. Greene supervised global operations to include clinical and regulatory activities, MyoCath™ Injection Catheter development, physician relations and customer education and training. Previously, Mr. Greene was Director of International Sales and Marketing for Medtronic International, where he increased sales from \$16 million to \$30 million in less than 12 months. Specifically, Mr. Greene was directly responsible for combining a number of technologies (AneuRx™ Stent Graft from Medtronic, Inc. Talent™ AAA Stent graft and peripheral vascular stents from Arterial Vascular Engineering, Inc.). Mr. Greene also established and organized the Peripheral Vascular Division of Medtronic International based in Switzerland and covering Europe, Middle East and Africa, where he was responsible for making Medtronic the world leader in endovascular AAA stent graft procedures. Prior to joining Medtronic, Mr. Greene served as the International Sales and Marketing Director for Arterial Vascular Engineering Inc. and Perclose, Inc. Previously, while at Guidant Corporation, Mr. Greene had sales responsibilities as a Regional Sales Manager where he merged the sales forces of Advanced Cardiovascular Systems, Inc. and Devices for Vascular Intervention (DVI) as part of the information of Guidant's Vascular Intervention division. In addition, Mr. Greene served as a product manager, where he developed and coordinated from concept to market leadership the RX Elipse™ Rapid Exchange Balloon dilatation catheter. Mr. Greene holds a B.A. degree from Furman University.

MITRALSOLUTIONS (cont.)

Scientific Founders and Collaborators:

Richard G. Cartledge, M.D. - Scientific Founder: Dr. Cartledge is a practicing cardiothoracic surgeon with the Memorial Heart Center in Hollywood, Florida. Dr. Cartledge is a named inventor on numerous issued U.S. patents and pending patent applications for a variety of medical device inventions. He is a found of several medical device companies, including SmiCar Biomedical, Cartledge Medical Products, i-Beat, and Advanced Cannula. One of Dr. Cartledge's inventions is a rapid infusion *V pup currently assigned to SmiCar Biomedical, that has received three multi-million dollar Department of Defense line item appropriations for its further development for military medical applications. Dr. Cartledge has a B.S. in mechanical engineering from Lehigh University and a M.D. degree from the Medical College of Pennsylvania. In addition, Dr. Cartledge was a fellow with the Memorial Sloan Kettering Cancer Center and New York Presbyterian Hospital – Weill Medical College of Cornell University.

Peter J. Fitzgerald, M.D., Ph.D - Director and Scientific Founder: Dr. Fitzgerald is an Associate Professor of Medicine, an Associate Professor of Electrical Engineering, a Co-Director for the Center for Research in Cardiovascular Interventions, and the Director of the core Cardiovascular Analysis Lab for the Stanford University School of Medicine. Dr. Fitzgerald's broad clinical experience includes intravascular ultrasound, two-dimensional color flow and Doppler echocardiography. Dr. Fitzgerald has co-authored over 200 clinical papers and abstracts on various topics in Interventional Cardiology and has participated in many important clinical trials involving the diagnosis and treatment of coronary artery disease. Dr. Fitzgerald earned his Ph.D. in Biomedical Engineering from the Dartmouth College Thayer School of Engineering and his M.D. from Dartmouth Medical School. He completed his residency in Medicine and Cardiology Fellowship at the University of California, San Francisco. Dr. Fitzgerald also has a B.S. in Electrical Engineering from Santa Clara University and a M.S. in Electrical System Engineering from Rennselaer Polytechnic Institute.

Leonard Y. Lee, M.D. - Scientific Founder: Dr. Lee is a cardiothoracic surgeon and Assistant Professor in the Department of Cardiothoracic Surgery, New York Presbyterian Hospital-Weill Medical College of Cornell University in New York, New York. Dr. Lee has also been actively involved in medical device development, and is a named inventor on several pending U.S. patent applications. He is a Fellow of the American College of Surgeons and a member of the Society of Thoracic Surgeons. Dr. Lee is actively involved in clinical research, and serves as a principal investigator on several pending studies. He also has a background in gene therapy research, and has published 22 peer-reviewed papers, 25 abstracts and three book chapters. The publications containing his articles include *Circulation*, *Human Gene Therapy*, and *the Journal of thoracic and Cardiovascular Surgery*. Dr. Lee is a founder of several medical device companies, including i-Beat, and Advanced Cannula. Dr. Lee has a B.A. from Lehigh University and a M.D. from the Robert Wood Johnson Medical School (Camden, New Jersey).

MITRALSOLUTIONS (cont.)

Nicolas A.F. Chronos, M.D. - Scientific Founder: Dr. Chronos is a practicing interventional cardiologist and an active researcher in the cardiovascular field. He is currently Chief Medical & Scientific Officer at the American Cardiovascular Research Institute where he directs and oversees approximately 30 pre-clinical trials and 25 clinical trials. Dr. Chronos is world-renowned for his pioneering research in angiogenesis, in addition to his involvement in stem cell and gene therapy research. Dr. Chronos has published 45 peer-reviewed papers, 95 abstracts, and 17 book chapters and has served as an adjunct professor at the Duke University School of Medicine. Dr. Chronos was also a founder of Global Medical Products, Inc., now GMP Companies, Inc. Dr. Chronos received his B.S. in Human Biology from Surrey University in London, England and his M.D. from the Royal Free Hospital School of Medicine in London, England.

Financial Projections:

We forecast the company will initiate a second round of financing at the end of 2006, based upon the 510k approval of the open surgical product and significant progress towards on development of the percutaneous product. Cardinal has reserved \$3 million for future financing at Mitral and we expect to be diluted to a 20% ownership position on a fully diluted basis. We forecast that investor liquidity will be obtained 1-2 years after approval of the open surgical product through acquisition by one of the leading cardiovascular medical device companies. Valuation of the company at acquisition is expected to range from \$75 to \$150 million based upon comparable acquisitions in the market.

| <u>MitralSolutions, Inc.</u> | Projected | Projected | Projected | Projected |
|-------------------------------------|------------------|------------------|------------------|------------------|
| (\$000) | 2006 | 2007 | 2008 | 2009 |
| Revenue | 0 | 5,000 | 15,800 | 30,681 |
| Cost of Sales | 0 | 1,750 | 5,530 | 10,738 |
| Gross Profit | 0 | 3,250 | 10,270 | 19,943 |
| Development Costs | 1,115 | 3,476 | 3,827 | 3,857 |
| General & Administrative | 1,071 | 1,920 | 2,467 | 2,965 |
| EBIT | -2,186 | -2,146 | 3,976 | 13,121 |

Outlook:

MitralSolutions has a proprietary technology focused on an emerging market space that has large potential. The company has several thought-leader physicians affiliated with it that will raise visibility in the cardiovascular community and aid in product development and adoption. There are several companies that would find Mitral an attractive acquisition target: St. Jude, Edwards, Johnson & Johnson, Boston Scientific and Medtronic among them. The capital requirements to get this investment to an exit are relatively low and allows for Cardinal to have significant ownership in a company that has several early auctionable milestones for potential acquirers.

MOLECULAR MINING CORPORATION
Kingston, Ontario
{www.molecularmining.com}

Software Tools for Genomics Research

Period Summary: 3rd Quarter, 2005

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.

To date CHP II has received \$72,606 in cash distributions related to the sale of the assets of Molecular Mining. No disbursements were received during the current quarter. Our current estimate of total return on the CHP II investment is approximately \$100K. CHP II will receive 18.25% of any future distribution to the Series B investors.

The final distribution related to the liquidation of the Molecular Mining assets will be completed in 2005 and we will record the final investment realization at that time. It is expected that some relatively insignificant payments related to PARTEQ's licensing of the Molecular Mining technology will continue into the foreseeable future.

CHP II, L.P. Holdings:

| | |
|---|----------------|
| Series B Convertible Preferred Stock | 737,422 shares |
| Assigned Fair Value | \$27,394 |
| Investment Cost | \$1,436,455 |
| % 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, 2005

The third quarter was one of significant accomplishment for Momenta. During the quarter, market events and analyst attention contributed to significant new institutional shareholder interest in Momenta. This resulted in strong share price improvement and in July, the company completed a follow-on public offering that raised an additional \$122 million in net proceeds for the company. In addition, Cardinal completed a distribution of approximately 75% of its Momenta shares at a value of \$48.5 million. In August, the company submitted the abbreviated new drug application (ANDA) for M-Enoxaparin (“M-Enox”), Momenta’s generic version of Lovenox®, the largest selling low molecular weight heparin, with worldwide sales in 2004 of about \$2.4 billion, to the FDA.

On July 19th, CHP II distributed 1,693,450 shares of Momenta Pharmaceuticals, Inc. (NASDAQ: MNTA) at \$28.61 per share for a total distributed value of \$48,449,605 and producing a realized gain of \$44,574,602. CHP II continues to hold 476,836 shares of Momenta common stock that is valued at \$13 million as of September 30, 2005. We expect to complete the realization of the Momenta investment over the next six months and forecast that the total return on our investment will be about 9 times our investment cost of \$6.8 million.

Financial results for the quarter were in line with expectations. The company reported a net loss of \$6.0 million compared with a net loss of \$4.3 million for the same period last year. Revenues under the collaborative agreement with Sandoz were \$3.0 million for the quarter, versus \$1.8 million for the same period in 2004. Under this 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 third quarter of 2005 were \$6.3 million, compared to \$4.5 million for the same period in 2004. General and administrative expenses for the quarter totaled \$3.7 million, compared with \$1.9 million for the same period in 2004. These increased costs are generally due to increased headcount, manufacturing, professional fees and additional insurance coverage.

At September 30, 2005, the Company held cash, cash equivalents, and marketable securities of \$163.3 million, compared with \$53.6 million at December 31, 2004. On July 21, 2005, Momenta raised net proceeds of \$122.3 million through a public offering of approximately 4.8 million shares of common stock. This capital, when combined with the cost sharing arrangement on M-Enox with Sandoz, puts the company in a very sound financial position.

MOMENTA PHARMACEUTICALS, INC. (cont.)

FINANCIAL SUMMARY: (\$000)

Statement of Operations:

| | <u>Three Months Ended</u> | | <u>Nine Months Ended</u> | |
|--------------------------|---------------------------|-----------------|--------------------------|-----------------|
| | <u>09/30/05</u> | <u>09/30/04</u> | <u>09/30/05</u> | <u>09/30/04</u> |
| Revenues | 2,957 | 1,843 | 10,094 | 4,994 |
| Research & Development | 6,276 | 4,481 | 16,564 | 10,229 |
| General & Administrative | <u>3,728</u> | <u>1,852</u> | <u>9,499</u> | <u>4,841</u> |
| Loss from Operations | -7,047 | -4,490 | -15,969 | -10,076 |
| Other Income (Expense) | <u>+1,046</u> | <u>+220</u> | <u>+1,618</u> | <u>+334</u> |
| Net Income (Loss) | -6,001 | -4,270 | -14,351 | -9,742 |
| Earnings Per Share (\$) | -\$0.21 | -\$0.18 | -\$0.55 | -\$2.99 |

Summary Balance Sheet as of September 30, 2005:

| | | | |
|---------------------------|------------------|----------------------------|------------------|
| Cash | \$163,262 | Accounts Payable | \$ 2,374 |
| Unbilled Revenue | 2,926 | Accrued Expenses | 2,374 |
| Other Current Assets | <u>1,963</u> | Deferred Revenue | <u>306</u> |
| Total Current Assets | 168,151 | Total Current Liabilities | 5,054 |
| Net PP&E | 4,977 | Other Liabilities (LOC) | 2,784 |
| Intangible & Other Assets | <u>1,490</u> | Shareholders Equity (Net) | <u>166,780</u> |
| Total Assets | <u>\$174,618</u> | Total Liabilities & Equity | <u>\$174,618</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 \$27.25) | \$12,993,781 |
| 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 (\$27.25 per share) | \$692.3 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, 2005

The third quarter was an extraordinary period for Replication Medical. On July 21st, the company completed a major collaboration agreement with Abbott Laboratories ("Abbott") that consisted of an initial \$12 million equity investment by Abbott, plus an option for Abbott to acquire Replication upon the first approval by the US Food and Drug Administration ("FDA") of an investigational device exemption ("IDE") application for a Pivotal Clinical Trial for any Replication Medical product. The Abbott transaction includes cash milestone and revenue based payments to the Replication shareholders that have the potential to exceed \$100 million. CHP II will receive approximately 20.5% of each payment made to the shareholders. The equity financing was priced at a pre-money value for Replication of \$71 million. In addition, Abbott paid a \$3 million option fee to the Replication shareholders, with CHP II receiving \$635,645.

The \$12 million equity investment by Abbott was made at a price of \$5 per share. In accordance with the Standard Valuation Policy of CHP II, as this financing was strategic in nature, the mark-up for our investment is 50% of the increase from our cost basis to the Abbott price of \$5.00 per share. This results in the recording of an unrealized gain of \$5.7 million on the Replication investment during the quarter.

The Abbott transaction includes multiple milestone payments to the Replication shareholders including: \$45 million on the IDE acceptance, plus an additional \$5 million if the IDE is approved by August 2006; \$10 million for CE Mark (European approval); \$35 million for full PMA approval from the FDA; and a sliding scale of revenue based payments for the first 5 years of product sales. We expect that payments to the Replication shareholders will be \$50-\$60 million over the next two years and range from \$75-\$110 in total. The company is on target to file its IDE application in Q1 2006.

The company is now engaged in a recruiting effort for senior management in both the clinical and regulatory areas. Abbott's Spinal Concept subsidiary is actively engaged to assist in these efforts as well as other elements of the company's clinical plan. 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>2001 Actual</i> | <i>2002 Actual</i> | <i>2003 Actual</i> | <i>2004 Actual*</i> |
|--------------------|--------------------|--------------------|--------------------|---------------------|
| Revenues | 0 | 0 | 0 | 0 |
| R&D Expenses | 1,163 | 1,255 | 2,396 | 2,336 |
| Operating Expenses | 266 | 324 | 782 | 388 |
| EBIT | -1,429 | -1,579 | 3,178 | -2,724 |
| Interest and Taxes | 44 | 3 | 27 | 12 |
| Net Income | -1,385 | -1,576 | -3,151 | -2,712 |

* Subject to Audit

Last Three Months: Quarter Ended September 30, 2005

| | <i>Actual</i> | <i>Budget</i> | <i>Variance</i> |
|--------------------|---------------|---------------|-----------------|
| Revenues | 0 | 0 | 0 |
| R&D Expenses | 516 | 600 | +84 |
| Operating Expenses | 201 | 250 | +49 |
| EBIT | -717 | -850 | +133 |
| Interest and Taxes | -5 | -2 | -3 |
| Net Income | -722 | -852 | +130 |

Fiscal Year-to-Date: Nine Months Ended September 30, 2005

| | <i>Actual</i> | <i>Budget</i> | <i>Variance</i> |
|--------------------|---------------|---------------|-----------------|
| Revenues | 0 | 0 | 0 |
| R&D Expenses | 1,652 | 1,880 | +228 |
| Operating Expenses | 515 | 530 | +15 |
| EBIT | -2,167 | -2,410 | +243 |
| Interest and Taxes | 0 | 0 | 0 |
| Net Income | -2,167 | -2,410 | +243 |

REPLICATION MEDICAL (cont.)

Summary Balance Sheet as of September 30, 2005: (\$000)

| | | | |
|----------------------|-----------------|----------------------------|-----------------|
| Cash | \$ 8,828 | Accounts Payable | \$ 18 |
| Prepaid Expenses | 0 | Accrued Expenses | 2 |
| Other Current Assets | <u>56</u> | Notes Payable | <u>0</u> |
| Total Current Assets | 8,884 | Total Current Liabilities | 20 |
| Net PP&E | 565 | Long Term Debt | 0 |
| Intangibles (net) | 0 | Shareholders Equity | 21,374 |
| Other Assets | <u>17</u> | Retained Earnings | <u>-11,928</u> |
| Total Assets | <u>\$ 9,466</u> | Total Liabilities & Equity | <u>\$ 9,466</u> |

Comments:

Cash burn at Replication has averaged \$350K per month for 2005. The cash balance above shows only \$9 million of the \$12 million equity investment by strategic partner Abbott due to a 6 month escrow agreement for the remaining \$3 million. The company will now accelerate its clinical program and has adequate operating capital for at least 3 years.

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 | 290,712 shares |
| Assigned Fair Value (290,712 x \$3.45) | \$1,002,956 |
| Investment Cost | \$552,353 |
| Cost per Share | \$1.90 |
| % Ownership (Full Dilution) | 18.1% |
| Company Valuation at CHP II Cost | \$16.9 million |
| Company Valuation at Assigned Fair Value | \$48.6 million |

Outlook:

The potential payout from the Abbott transaction has us 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, 2005

During the quarter, Rib-X continued to progress its lead compound toward an IND filing with Phase I clinical trials expected to commence in December. The company also completed its first in-licensing agreement on a phase II compound which is potentially suitable for marketing in several niche antibiotic markets with sales potential in excess of \$250 million. In addition, the company has a second lead compound that is on track to file an IND and enter the clinic in Q1 2006. As the company enters the clinic with these programs, an additional private financing round will likely be initiated to ensure the creation of sufficient value to attain investor liquidity. Management will begin discussing a third round financing with the investor syndicate during Q4 2005.

Advanced preclinical studies for the company's lead compound from the RX-01 program (RX-1284) are progressing on plan and remain on track for the compound to initiate human studies in December 2005. The company has also formalized contracted manufacturing and clinical formulation for the compound. The secondary compound from the program (RX-1741) has also completed some advanced preclinical studies and remains on target for a potential Phase I clinical trial beginning in Q1 2006. Both of these compounds possess differentiable antibiotic activity suitable for treatment of serious multidrug-resistant bacterial infections in a hospital environment. Sales of successful products in these markets range from \$600 million to \$2 billion annually in the US alone.

During the quarter, the in-licensing team was successful in attaining an option for exclusive licensing rights for a phase II quinolone for potential use as a surgical prophylaxis against infection. Management estimates this product has a market potential of up to \$250 million annually. The program is expected to be repositioned and in Phase I clinical trials before the end of 2006.

Financial performance for the quarter was well ahead of plan in all areas. The significant positive expense variances are primarily the result of lower personnel costs and lower outside professional services related to preclinical studies. Cash burn has averaged \$1.2 million per month during 2005, but management expects the burn to accelerate towards \$1.5 million per month as the lead compounds move toward the clinic in Q4 2005. The company is well ahead of its cash forecast, has sufficient capital to operate well into 2007 and likely into Phase II clinical trials for two compounds.

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 Actual*</i> | <i>2005 Budget</i> |
|--------------------|--------------------|--------------------|--------------------|---------------------|--------------------|
| Revenues | 0 | 0 | 148 | 0 | 0 |
| R&D Expenses | 593 | 5,283 | 9,469 | 10,230 | 14,604 |
| Operating Expenses | 828 | 2,192 | 1,750 | 3,534 | 3,975 |
| EBIT | -1,421 | -7,475 | -11,071 | -13,764 | -18,579 |
| Interest and Taxes | -11 | -71 | +134 | +394 | +130 |
| Net Income | -1,432 | -7,546 | -10,937 | -13,370 | -18,449 |

* - Preliminary, Subject to Audit

Last Three Months: Quarter Ended September 30, 2005

| | <i>Actual</i> | <i>Budget</i> | <i>Variance</i> |
|--------------------|---------------|---------------|-----------------|
| Revenues | 0 | 0 | 0 |
| R&D Expenses | 2,158 | 2,700 | +542 |
| Operating Expenses | 1,359 | 1,487 | +128 |
| EBIT | -3,517 | -4,187 | +670 |
| Interest and Taxes | +165 | +76 | +89 |
| Net Income | -3,352 | -4,111 | +759 |

Fiscal Year-to-Date: Nine Months Ended September 30, 2005

| | <i>Actual</i> | <i>Budget</i> | <i>Variance</i> |
|--------------------|---------------|---------------|-----------------|
| Revenues | 0 | 0 | 0 |
| R&D Expenses | 6,587 | 8,324 | +1,737 |
| Operating Expenses | 4,695 | 5,151 | +456 |
| EBIT | -11,282 | -13,475 | +2,193 |
| Interest and Taxes | 456 | 291 | +165 |
| Net Income | -10,826 | -13,184 | +2,358 |

RIB-X PHARMACEUTICALS, INC. (cont.)**Summary Balance Sheet as of September 30, 2005: (\$000)**

| | | | |
|----------------------|-----------------|----------------------------|-----------------|
| Cash | \$28,492 | Accounts Payable | \$ 1,258 |
| Accounts Receivable | 0 | Accrued Expenses | 0 |
| Other Current Assets | <u>387</u> | Notes Payable Current | <u>763</u> |
| Total Current Assets | 28,879 | Total Current Liabilities | 2,021 |
| Net PP&E | 4,179 | Notes Payable | 2,135 |
| Intangibles (net) | 0 | Shareholders Equity | 72,671 |
| Other Assets | <u>249</u> | Retained Earnings | <u>-43,520</u> |
| Total Assets | <u>\$33,307</u> | Total Liabilities & Equity | <u>\$33,307</u> |

Comments:

The company is well ahead of its cash burn plan and will likely be well ahead of plan for the year. With the current cash balance, Rib-X has enough capital to operate well into 2007.

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.

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: 3rd Quarter, 2005

During the quarter, Sirtris had continued positive results from animal studies, relocated to a more suitable facility, and identified possible jumpstart product leads. The company is slightly behind on its cash flow forecast. As expected, monthly cash burn has accelerated in recent months to \$1 million. The company has adequate capital resources to support the accelerated development program well into 2008. Strategic and financial investor interest remains high, but the company will only pursue an additional financing in conjunction with a significant strategic collaboration.

Sirtris was founded in mid-2004 and is still at a very early stage of development. The focus in 2005 has been on building the organization, improving the intellectual property portfolio and moving the science forward towards identification of a lead drug compound. The company now has 19 full time employees and has relocated to a more suitable, longer term location for its operations in Cambridge. The company advanced its scientific development programs during the period with further in vivo animal studies on neurological and metabolic targets, achieving promising therapeutic results to-date. Management has begun having introductory meetings with multiple potential strategic partners in the pharmaceutical and biotech industries.

Key goals for the next 6-9 months remain: completion of a strategic partnership with a major pharmaceutical partner; selection of an appropriate disease area/target for in-house development; develop or get access to proprietary animal models; initiate the recruitment effort for an industry leading CEO; and begin preclinical studies on a lead compound. The current goal is to file an initial Investigational New Drug Application ("IND") with the FDA in 2007.

SIRTRIS PHARMACEUTICALS, INC. (cont.)

FINANCIAL RESULTS: (\$000)

Overview: (FYE 12/31)

| | <i>2004 Actual*</i> | <i>2005 Budget</i> |
|--------------------|---------------------|--------------------|
| Revenues | 0 | 250 |
| R&D Expenses | 1,247 | 4,502 |
| Operating Expenses | 554 | 2,334 |
| EBIT | -1,801 | -6,586 |
| Interest and Taxes | +45 | +39 |
| Net Income | -1,756 | -6,547 |

* - Preliminary, Subject to Audit

Last Three Months: Quarter Ended September 30, 2005

| | <i>Actual</i> | <i>Budget</i> | <i>Variance</i> |
|--------------------|---------------|---------------|-----------------|
| Revenues | 0 | 0 | 0 |
| R&D Expenses | 1,696 | 2,154 | +458 |
| Operating Expenses | 1,061 | 1,109 | +48 |
| EBIT | -2,757 | -3,263 | +506 |
| Interest and Taxes | +332 | +315 | +17 |
| Net Income | -2,425 | -2,948 | +523 |

Fiscal Year-to-Date: Nine Months Ended September 30, 2005

| | <i>Actual</i> | <i>Budget</i> | <i>Variance</i> |
|-----------------------|---------------|---------------|-----------------|
| Revenues | 0 | 0 | 0 |
| R&D Expenses | 4,446 | 4,880 | +434 |
| Operating Expenses | 2,747 | 2,562 | -185 |
| EBIT | -7,193 | -7,442 | +249 |
| Interest and Taxes | +772 | +681 | +91 |
| +340Net Income | -6,421 | -6,761 | +340 |

SIRTRIS PHARMACEUTICALS, INC. (cont.)

Summary Balance Sheet as of September 30, 2005: (\$000)

| | | | |
|----------------------|-----------------|----------------------------|-----------------|
| Cash | \$ 36,561 | Accounts Payable | \$ 474 |
| Accounts Receivable | 0 | Accrued Expenses | 503 |
| Other Current Assets | <u>367</u> | Notes Payable Current | <u>0</u> |
| Total Current Assets | 36,928 | Total Current Liabilities | 977 |
| Net PP&E | 530 | Notes Payable | 0 |
| Intangibles (net) | 0 | Shareholders Equity | 44,835 |
| Other Assets | <u>89</u> | Retained Earnings | <u>-8,265</u> |
| Total Assets | <u>\$37,547</u> | Total Liabilities & Equity | <u>\$37,547</u> |

Comments:

Sirtris has raised a total of \$44.5 million since its inception in mid-2004. The company has a current monthly cash burn of \$700K, which is expected to rise above \$850K in Q3 2005. The current cash balance is sufficient to support operations well into 2008.

CHP II, L.P. Holdings:

| | |
|--|------------------|
| Series A Convertible Preferred Stock | 1,600,000 shares |
| Assigned Fair Value (1,600,000 x \$0.80) | \$1,280,000 |
| Investment Cost | \$800,000 |
| Cost per Share | \$0.50 |
| Series A-1 Convertible Preferred Stock | 3,750,000 shares |
| Assigned Fair Value (3,750,000 x \$0.80) | \$3,000,000 |
| Investment Cost | \$2,250,000 |
| Cost per Share | \$0.60 |
| Series B Convertible Preferred Stock | 3,750,000 shares |
| Assigned Fair Value | Investment Cost |
| Investment Cost | \$3,000,000 |
| Cost per Share | \$0.80 |
| % Ownership (Full Dilution) | 12.3% |
| Company Valuation at CHP II Cost | \$48.4 million |
| Company Valuation at Assigned Fair Value | \$59.5 million |

Outlook:

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