

CHP II, L.P.
QUARTERLY REPORT
4th QUARTER, 2004

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TO: The Limited Partners
FROM: John K. Clarke
DATE: February 28, 2005
SUBJECT: Activity for the Quarter Ended December 31, 2004

During the quarter, the CHP II portfolio continued to make good operational progress and we remain optimistic about the prospects of providing some liquidity to our partners during 2005. The following are short summaries of activity for the quarter in each of our portfolio companies.

AllainceCare (formerly Mobile Medical) - A number of notable achievements were realized in the last quarter of 2004 including; the attainment of profitability, the completion of the acquisition of the Alliance Care Rehab and the completion of \$17 million in combined equity and debt financing. The company also formally changed its name to AllianceCare, Inc. The company operated at EBITDA positive for the last quarter of 2004 and is forecast to be solidly positive after the integration process. The company has adequate capital resources to support operations for the foreseeable future. The annualized revenue run rate for the “new” AllainceCare is currently \$72 million, with monthly EBITDA in excess of \$300K.

Alnylam Pharmaceuticals – 2004 was a terrific year for Alnylam, as the company completed an IPO and continued to build on its lead in the field of Direct RNAi(TM) therapeutics. Partnerships with Merck, Medtronic and Isis Pharmaceuticals have greatly enhanced capabilities and provide the company with key resources towards building a leading product company founded on RNAi. Financial results for the quarter and the year were in line with expectations and the company ended the year with \$46 million in cash and marketable securities. This provides the company with more than two years of operating capital.

AthenaHealth – Athena posted excellent financial results for 2004. The company posted better than forecast results for all metrics except revenues. Athena missed its revenue target for the year due to the combination of implementations lagging expectations, plus lower than forecast sales for Q4. The sales pipeline entering 2005 is strong with a forecast of \$8.4 million for the first quarter. The forecast for 2005 shows revenues growing to almost \$60 million with the company operating at cash flow positive, while continuing its infrastructure investment for anticipated long-term growth. We view Athena as a very attractive candidate for a liquidity event in the next 12-15 months and remain excited about the prospects for our investment.

CardioOptics – During the quarter, management proposed an accelerated development plan for the coronary lead placement product that would run the product engineering phase in tandem with the human testing and accelerate product shipping by six months. The plan was approved by the Board in October and implemented soon thereafter. The company has completed the design and prototype development phase for the product and will begin human testing in Q1 of 2005. In September, the Board initiated a CEO recruitment engagement to facilitate the move from an R&D focused company, into a market stage company. At year-end the company has two excellent candidates well into the process and expects to complete the engagement in Q1 2005.

CodeRyte – The company has been very successful in terms of new customer sales while growth related implementation issues have hindered revenues, which are below expectations. By year-end, essentially all of the implementation issues have been resolved. The company is forecast to turn cash flow positive by the end of calendar 2005. Monthly revenues are currently >\$200K, with breakeven forecast at \$800K. New contract sales for the quarter represented \$540K in annual revenue, 50% above forecast. Contracted backlog at year-end exceeds \$3 million in annual revenue.

IntelliCare America – Financial results for the fourth quarter of 2004 were below plan due to lower call center productivity and delays in new disease management contract implementation. As the period ended, a number of new contracts are pending that will get the company to within \$1 million of the \$19 million sales budget for 2005. The main focus on management is to attain a self-sustaining cash flow position without compromising the ability to grow the business as planned. Plans for operating margin improvement, reduced overhead and customer repricing for the lowest margin accounts have been implemented and improvement in margins had already shown good progress by December 2004. The engagement to sell the company continues with no imminent transaction on the horizon. The investor syndicate is hopeful that a successful sale of the company (>\$17.5 MM) can be consummated during 2005.

Momenta – During the quarter, Momenta (NASDAQ: MNTA) continued to advance their lead product, M- Enoxaparin (M-Enox), a technology enabled generic version of the low molecular weight heparin drug Lovenox®, and the company remains on track to file the ANDA for M-Enox in mid-2005. During 2005, the company intends to characterize the sugars on multiple glycoprotein drugs and establish a product partnership. By applying its proprietary sugar sequencing technology to proteins that contain complex sugars, Momenta believes that it can broaden its product opportunities to include the \$33 billion market for protein therapeutics. At year-end, the Company held cash and marketable securities of \$55.1 million. This capital, when combined with the cost sharing arrangement on M-Enox with Sandoz, should provide the company with operating capital well into 2007.

Replication Medical – While behind schedule for the first half of 2004, Replication accomplished a major objective for the year by completing the build-out of a manufacturing and office facility located in Cranbury, NJ. The facility will enable the company to scale up production of its own hydrogel devices, which have previously been outsourced to an unreliable European vender. The company remains behind on its clinical plan; however it retains its lead as the only disk-nucleus implant with human trial results. Replication continues to attract industry wide attention as the most promising surgical alternative to fusion or total disk replacement in the treatment of degenerative disk disease. Replication has also attracted significant interest from both private equity investors as well as potential acquirers. We continue to manage interest from these various alternatives, and are in later stage diligence with one leading orthopedic/spine company.

Rib-X Pharmaceuticals – During 2004, the Rib-X scientific team encountered some delays in its lead compound clinical plan due to some unexpected toxicity results in pre-clinical testing. As the year ended, the company began conducting further pre-clinical studies on its lead compound. In addition, the company's lead program has yielded a second compound that will be accelerated into pre-clinical testing as a back-up. Given the breadth of antibacterial activity exhibited by these compounds as compared to major competitor compounds, management is proposing parallel tracking of the two compounds through advanced pre-clinical and clinical development, with the goal of identifying a suitable IND filing candidate in 2005. The company currently has adequate capital resources to support operations for over two years.

Sirtris Pharmaceuticals – In November of 2004, CHP II contributed \$2.25 million to the \$13 million first round financing for Sirtris. This financing was led by new investor, The Wellcome Trust and valued the company at \$9.4 pre-money, a 20% step-up from the August 2004 seed financing round. Management forecasts that the current capital is sufficient to support operations for 2 years. In order to accelerate the development program into the clinic, the company is exploring the option of an additional financing round early in 2005. As the year ended, the company has received interest for a further round of financing from numerous investors.

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

Deal Flow:

During the quarter, we have reviewed 67 business proposals. Current “A” deals include: Celator Technologies, Inset Technologies, Neuronetics, Prolong Pharmaceuticals, Quantum Orthopedics, Triton Biosystems and Wavemark. An alphabetical list of all deals received with a brief business description, deal source and deal status is included in the Appendix to this report.

Financial Results:

There were three capital calls during the period for a total of \$4.9 million. Utilization of these funds included the \$1 million investment in AllianceCare; the \$276K investment in Replication, the \$3 million investment in Sirtris Pharmaceuticals and the payment of fund fees and expenses. As of December 31, 2004, cumulative capital contributions stand at \$74.7 million or 64% of total commitments. Cash at the end of the period was \$695K and net assets totaled \$61.9 million. Net income for the quarter was \$6.4 million, consisting of \$682K in net operating expenses, offset by a \$7.1 million increase in cumulative unrealized portfolio appreciation. Changes in portfolio valuation for the quarter included an unrealized gain for both Alnylam (\$6.6 million) and Momenta (\$394K), related to public market price changes, plus \$160K related to the Sirtris second round financing closed in November. A new schedule has been added to the end of the financial reporting section that summarizes the cumulative fund gains and losses by portfolio investment.

Looking forward:

We were delighted to host many of you at the Limited Partner Annual Meeting in New York on December 1, 2004. We are confident that the portfolio company presentations at the meeting have demonstrated to you that the value potential of the portfolio is substantially greater than that of our current carrying value.

With two CHP II portfolio companies successfully completing an initial public offering earlier this year, and a couple of others entertaining potential acquisition interest, we are very hopeful of creating some meaningful liquidity for our partners during 2005. We continue to work diligently to build value in the portfolio and appreciate your input and support.

CHP II, L.P.
Income Statement
For the Period Ended December 31, 2004

	Three Months Ended 12/31/04	Twelve Months Ended 12/31/04
Revenue:		
Non Portfolio Income	\$95	\$894
Interest-Equivalent Amounts	0	0
Expenses:		
Management Fee	660,795	2,790,025
Professional Fees	12,330	39,934
NVCA Dues & Expenses	0	5,173
Amortization of Organization Costs	0	0
Annual Meeting & Miscellaneous	15,638	18,901
Total Expenses	688,763	2,854,033
Net Operating Expense	(688,668)	(2,853,139)
Investment Income	15,622	33,213
Net Income Before Gains (Losses)	(673,046)	(2,819,926)
Realized Gains (Losses)	0	0
Unrealized Gains (Losses)	7,143,298	11,147,688
Net Income (Loss)	\$6,470,252	\$8,327,762

CHP II, L.P.
Balance Sheet
As of December 31, 2004

ASSETS:	Period Ended 12/31/04	Period Ended 09/30/04
Cash and Short-Term Investments	\$695,373	\$23,658
Accrued Interest	71,970	56,984
Venture Capital Investments	60,838,752	50,188,868
Organization Costs (Net of Accum. Amortization)	0	0
Other Assets	356,345	333,141
	<u>\$61,962,440</u>	<u>\$50,602,651</u>
 LIABILITIES & CAPITAL:		
Accrued Expenses and Payables	\$25,745	\$21,207
Partners' Accounts	61,936,695	50,581,444
Total Liabilities and Capital	<u><u>\$61,962,440</u></u>	<u><u>\$50,602,651</u></u>

CHP II, L.P.
Footnotes
As of December 31, 2004

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

Note 2 – Net Organization Costs	12/31/04	09/30/04
Organization Costs	\$183,232	\$183,232
Accumulated Amortization	(183,232)	(183,232)
Total	<u>\$0</u>	<u>\$0</u>

Note 3 – General Partner Promissory Notes	12/31/04	09/30/04
GP Promissory Note Principal	\$354,995	\$331,791
Prepaid NJ State Filing Fees	1,350	1,350
Total	<u>\$356,345</u>	<u>\$333,141</u>

Note 4 – Accrued Expenses	12/31/04	09/30/04
Professional Fees	\$25,745	\$16,000
NVCA Dues & Annual Meeting	0	5,174
Other Accrued Expenses	0	33
Total	<u>\$25,745</u>	<u>\$21,207</u>

Note 5 – Financial Highlights (Return & IRR)	Net to LP's	Total Fund
Year-to-Date Return on Net Assets	21.27%	21.27%
Internal Rate of Return Since Inception	-7.72%	-7.72%

CHP II, L.P.
Statement of Cash Flows
For the Period Ended December 31, 2004

	Three Months Ended 12/31/04	Twelve Months Ended 12/31/04
Cash flows from operating activities		
Net Income Before Gains (Losses)	(\$673,046)	(\$2,819,926)
Adjustments to reconcile net income before gains (losses) to net cash used in operating activities:		
Accrued Interest Receivable	(14,987)	(31,300)
Accrued Organization Costs	0	0
Other Assets	0	(1,350)
Accrued Expenses & Payables	4,538	(5,776)
Net Cash used in Operating Activities	(683,495)	(2,858,352)
Cash flows from investing activities		
Purchases of venture capital investments	(3,506,586)	(12,431,373)
Sales of venture capital investments	0	2,034
Net cash used in investing activities	(3,506,586)	(12,429,339)
Cash flows from financing activities		
Cash contributions by partners	4,861,796	15,896,680
Cash distribution to partners	0	0
Net cash provided by financing activities	4,861,796	15,896,680
 Net Change in Cash and Short Term Investments	 671,715	 680,989
Cash and Short Term Investments, beginning	23,658	86,384
Cash and Short Term Investments, ending	\$695,373	\$695,373

CHP II, L.P.
Schedule of Venture Capital Investments
As of December 31, 2004

Company	Debt	Equity	Total Cost	Fair Value	Unrealized Gain (Loss)
Alnylam Pharmaceuticals	\$0	\$8,959,015	\$8,959,015	\$15,626,269	\$6,667,254
AthenaHealth, Inc.	0	5,000,001	5,000,001	8,181,820	3,181,819
Cardio-Optics, Inc.	0	3,001,279	3,001,279	3,001,279	0
CodeRyte, Inc.	0	2,780,004	2,780,004	2,780,004	0
IntelliCare America, Inc.	0	4,000,000	4,000,000	2,464,585	(1,535,415)
Mobile Medical Industries	0	4,980,410	4,980,410	4,980,410	0
Molecular Mining Corp.	0	1,437,273	1,437,273	28,212	(1,409,061)
Momenta Pharmaceuticals, Inc.	0	6,823,506	6,823,506	13,789,997	6,966,491
Replication Medical	0	2,776,176	2,776,176	2,776,176	0
Rib-X Pharmaceuticals, Inc.	0	4,000,000	4,000,000	4,000,000	0
SirTris Pharmaceuticals, Inc.	0	3,050,000	3,050,000	3,210,000	160,000
Totals	\$0	\$46,807,664	\$46,807,664	\$60,838,752	\$14,031,088

CHP II, L.P.
Statement of Partners' Contributions Accounts
As of December 31, 2004

	Partners' Total Subscription	Contributions Account 06/30/04	Period Contribution in Cash	Period Contribution by Note	Contributions Account 12/31/04	Partners' Outstanding Subscription
<u>Limited Partners</u>						
State Teachers Ret. System of Ohio	\$30,000,000	\$17,838,082	\$1,247,503	\$0	\$19,085,585	\$10,914,415
Nassau Capital Funds	10,000,000	5,946,026	415,835	0	6,361,861	3,638,139
Robert Wood Johnson Foundation	10,000,000	5,946,026	415,835	0	6,361,861	3,638,139
Northwestern University	10,000,000	5,946,026	415,835	0	6,361,861	3,638,139
LACERA	10,000,000	5,946,026	415,835	0	6,361,861	3,638,139
Textron Master Trust	10,000,000	5,946,026	415,835	0	6,361,861	3,638,139
Wachovia Investors, Inc. (First Union)	7,500,000	4,459,520	311,876	0	4,771,396	2,728,604
Pension Commissioners of City of LA	5,000,000	2,973,015	207,916	0	3,180,931	1,819,069
Princess Private Equity	5,000,000	2,973,015	207,916	0	3,180,931	1,819,069
Hillside Capital Incorporated	3,500,000	2,081,110	145,541	0	2,226,651	1,273,349
Hamilton Lane-Carpenters Fund	3,000,000	1,783,809	124,750	0	1,908,559	1,091,441
UNISYS Master Trust	3,000,000	1,783,809	124,750	0	1,908,559	1,091,441
Venture Investment Associates III, L.P.	2,300,000	1,367,587	95,641	0	1,463,228	836,772
Fleet Growth Resources (Summit)	2,000,000	1,189,206	83,166	0	1,272,372	727,628
S.R. One Limited	2,000,000	1,189,206	83,166	0	1,272,372	727,628
QFinance (Pharma BioDevelopment)	2,000,000	1,189,206	83,166	0	1,272,372	727,628
Private Equity Holdings II, Ltd.	1,000,000	594,602	41,584	0	636,186	363,814
	\$116,300,000	\$69,152,297	\$4,836,150	\$0	\$73,988,447	\$42,311,553
<u>General Partner</u>						
CHP II Management, LLC.	1,174,747	698,508	25,646	23,204	747,358	427,389
Total Partnership	\$117,474,747	\$69,850,805	\$4,861,796	\$23,204	\$74,735,805	\$42,738,942

CHP II, L.P.
Statement of Partners' Distributive Share of Net Assets
For the Period Ended December 31, 2004

	Private Securities	Public Securities	Cash	Other Assets	Total Assets	Accrued Expenses	Net Assets 12/31/04
<u>Limited Partners</u>							
State Teachers Ret. System of Ohio	\$8,024,488	\$7,512,152	\$177,581	\$109,381	\$15,823,602	(\$6,575)	\$15,817,027
Nassau Capital Funds	2,674,830	2,504,050	59,193	36,460	5,274,533	(2,192)	5,272,341
Robert Wood Johnson Foundation	2,674,830	2,504,050	59,193	36,460	5,274,533	(2,192)	5,272,341
Northwestern University	2,674,830	2,504,050	59,193	36,460	5,274,533	(2,192)	5,272,341
LACERA	2,674,830	2,504,050	59,193	36,460	5,274,533	(2,192)	5,272,341
Textron Master Trust	2,674,830	2,504,050	59,193	36,460	5,274,533	(2,192)	5,272,341
Wachovia Investors, Inc. (First Union)	2,006,122	1,878,038	44,395	27,346	3,955,901	(1,644)	3,954,257
Pension Commissioners of City of LA	1,337,414	1,252,025	29,597	18,230	2,637,266	(1,096)	2,636,170
Princess Private Equity	1,337,414	1,252,025	29,597	18,230	2,637,266	(1,096)	2,636,170
Hillside Capital Incorporated	936,190	876,417	20,718	12,761	1,846,086	(767)	1,845,319
Hamilton Lane-Carpenters Fund	802,448	751,215	17,758	10,938	1,582,359	(657)	1,581,702
UNISYS Master Trust	802,448	751,215	17,758	10,938	1,582,359	(657)	1,581,702
Venture Investment Associates III, L.P.	615,210	575,932	13,614	8,386	1,213,142	(504)	1,212,638
Fleet Growth Resources (Summit)	534,965	500,810	11,839	7,292	1,054,906	(438)	1,054,468
S.R. One Limited	534,965	500,810	11,839	7,292	1,054,906	(438)	1,054,468
QFinance (Pharma BioDevelopment)	534,965	500,810	11,839	7,292	1,054,906	(438)	1,054,468
Private Equity Holdings II, Ltd.	267,482	250,404	5,919	3,646	527,451	(218)	527,233
	\$31,108,261	\$29,122,103	\$688,419	\$424,032	\$61,342,815	(\$25,488)	\$61,317,327
<u>General Partner</u>							
CHP II Management, LLC.	314,225	294,163	6,954	4,283	619,625	(257)	619,368
Total Partnership	\$31,422,486	\$29,416,266	\$695,373	\$428,315	\$61,962,440	(\$25,745)	\$61,936,695

CHP II, L.P.
Statement of Partners' Capital Accounts *
For the Twelve Months Ended December 31, 2004

<u>Limited Partner</u>	Partners' Capital 01/01/04	Net Capital Contribution	Non-Portfolio Income	Net Investment Income	Realized Gains (Losses)	Total Income	Unrealized Gains (Losses)	Distributions	Partners' Capital 12/31/04
State Teachers Ret. System of Ohio	\$9,611,356	\$4,078,976	\$228	(\$720,363)	\$0	(\$720,135)	\$2,846,830	\$0	\$15,817,027
Nassau Capital Funds	3,203,786	1,359,658	76	(240,122)	0	(240,046)	948,943	0	5,272,341
Robert Wood Johnson Foundation	3,203,786	1,359,658	76	(240,122)	0	(240,046)	948,943	0	5,272,341
Northwestern University	3,203,786	1,359,658	76	(240,122)	0	(240,046)	948,943	0	5,272,341
Textron Master Trust	3,203,786	1,359,658	76	(240,122)	0	(240,046)	948,943	0	5,272,341
LACERA	3,203,786	1,359,658	76	(240,122)	0	(240,046)	948,943	0	5,272,341
Wachovia Investors (First Union)	2,402,840	1,019,743	57	(180,091)	0	(180,034)	711,708	0	3,954,257
Pension Commissioners-City of LA	1,601,893	679,828	38	(120,061)	0	(120,023)	474,472	0	2,636,170
Princess Private Equity	1,601,893	679,828	38	(120,061)	0	(120,023)	474,472	0	2,636,170
Hillside Capital Incorporated	1,121,321	475,883	27	(84,042)	0	(84,015)	332,130	0	1,845,319
Hamilton Lane-Carpenters Fund	961,134	407,898	23	(72,036)	0	(72,013)	284,683	0	1,581,702
UNISYS Master Trust	961,134	407,898	23	(72,036)	0	(72,013)	284,683	0	1,581,702
Venture Investment Associates III	736,870	312,721	18	(55,228)	0	(55,210)	218,257	0	1,212,638
Fleet Growth Resources	640,757	271,931	15	(48,024)	0	(48,009)	189,789	0	1,054,468
S.R. One Limited	640,757	271,931	15	(48,024)	0	(48,009)	189,789	0	1,054,468
QFinance (Pharma BioDevelopment)	640,757	271,931	15	(48,024)	0	(48,009)	189,789	0	1,054,468
Private Equity Holdings II, Ltd.	320,376	135,967	8	(24,012)	0	(24,004)	94,894	0	527,233
	\$37,260,018	\$15,812,825	\$885	(\$2,792,612)	\$0	(\$2,791,727)	\$11,036,211	\$0	\$61,317,327
<u>General Partner</u>									
CHP II Management, LLC.	97,240	83,855	9	(28,208)	0	(28,199)	111,477	0	264,373
Total Partnership	\$37,357,258	\$15,896,680	\$894	(\$2,820,820)	\$0	(\$2,819,926)	\$11,147,688	\$0	\$61,581,700

*-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 December 31, 2004

	Partners' Contribution Account	Non-Portfolio Income	Net Investment Income	Realized Gains (Losses)	Total Income	Unrealized Gains (Losses)	Distributions	Partners' Account
<u>Limited Partners</u>								
State Teachers Ret. System of Ohio	\$19,085,585	\$16,935	(\$3,548,634)	(\$3,320,034)	(\$6,851,733)	\$3,583,175	\$0	\$15,817,027
Nassau Capital Funds	6,361,861	5,646	(1,182,879)	(1,106,679)	(2,283,912)	1,194,392	0	5,272,341
Robert Wood Johnson Foundation	6,361,861	5,646	(1,182,879)	(1,106,679)	(2,283,912)	1,194,392	0	5,272,341
Northwestern University	6,361,861	5,646	(1,182,879)	(1,106,679)	(2,283,912)	1,194,392	0	5,272,341
LACERA	6,361,861	5,646	(1,182,879)	(1,106,679)	(2,283,912)	1,194,392	0	5,272,341
Textron Master Trust	6,361,861	5,646	(1,182,879)	(1,106,679)	(2,283,912)	1,194,392	0	5,272,341
Wachovia Investors, Inc. (First Union)	4,771,396	4,235	(887,159)	(830,009)	(1,712,933)	895,794	0	3,954,257
Pension Commissioners of City of LA	3,180,931	2,823	(591,440)	(553,341)	(1,141,958)	597,197	0	2,636,170
Princess Private Equity	3,180,931	2,823	(591,440)	(553,341)	(1,141,958)	597,197	0	2,636,170
Hillside Capital Incorporated	2,226,651	1,975	(414,007)	(387,338)	(799,370)	418,038	0	1,845,319
Hamilton Lane-Carpenters Fund	1,908,559	1,694	(354,864)	(332,004)	(685,174)	358,317	0	1,581,702
UNISYS Master Trust	1,908,559	1,694	(354,864)	(332,004)	(685,174)	358,317	0	1,581,702
Venture Investment Associates III	1,463,228	1,299	(272,063)	(254,536)	(525,300)	274,710	0	1,212,638
Fleet Growth Resources (Summit)	1,272,372	1,129	(236,575)	(221,336)	(456,782)	238,878	0	1,054,468
S.R. One Limited	1,272,372	1,129	(236,575)	(221,336)	(456,782)	238,878	0	1,054,468
QFinance (Pharma BioDevelopment)	1,272,372	1,129	(236,575)	(221,336)	(456,782)	238,878	0	1,054,468
Private Equity Holdings II, Ltd.	636,186	565	(118,288)	(110,668)	(228,391)	119,438	0	527,233
	\$73,988,447	\$65,660	(\$13,756,879)	(\$12,870,678)	(\$26,561,897)	\$13,890,777	\$0	\$61,317,327
<u>General Partner</u>								
CHP II Management, LLC.	747,358	664	(138,959)	(130,006)	(268,301)	140,311	0	619,368
Total Partnership	\$74,735,805	\$66,324	(\$13,895,838)	(\$13,000,684)	(\$26,830,198)	\$14,031,088	\$0	\$61,936,695

CHP II, L.P.
Comprehensive Fund Investment Summary
For the Period from April 25, 2000 to December 31, 2004

Portfolio Company	Investment Cost	Assigned Fair Value	Unrealized Gain (Loss)	Realized Value	Realized Gain (Loss)	Cumulative Investment Return
<u>Public Company Securities</u>						
Alnylam Pharmaceuticals, Inc.	\$8,959,015	\$15,626,269	\$6,667,254	\$0	\$0	\$6,667,254
Momenta Pharmaceuticals, Inc.	6,823,506	13,789,997	6,966,491	0	0	6,966,491
<u>Private Company Investments</u>						
AthenaHealth, Inc.	5,000,001	8,181,820	3,181,819	0	0	3,181,819
Cardio-Optics, inc.	3,001,279	3,001,279	0	0	0	0
CodeRyte, Inc.	2,780,004	2,780,004	0	0	0	0
Intellicare America, Inc.	4,000,000	2,464,585	(1,535,415)	0	0	(1,535,415)
Mobile Medical Corporation	4,980,410	4,980,410	0	0	0	0
Molecular Mining Corporation	1,509,060	28,212	(1,409,060)	71,788	0	(1,409,060)
Replication Medical, Inc.	2,776,177	2,776,176	(1)	0	0	(1)
Rib-X Pharmaceuticals, Inc.	4,000,000	4,000,000	0	0	0	0
SirTris Pharmaceuticals, Inc.	3,050,000	3,210,000	160,000	0	0	160,000
<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	332,491	(7,242,787)	(7,242,787)
	\$60,212,627	\$60,838,752	\$14,031,088	\$404,279	(\$13,000,684)	\$1,030,404

TO: The Limited Partners

FROM: John J. Park

DATE: February 16, 2005

SUBJECT: Portfolio Valuations for December 31, 2004

Investment securities held by CHP II, L.P. (the “Partnership”) have been valued in accordance with the Standard Valuation Policy of the Partnership. In accordance with the Policy, we propose to value restricted securities at cost, until subsequent events of a significant nature indicate the need for a change. This memorandum delineates the portfolio valuation calculations as proposed by the General Partner, and approved by the Advisory Committee of the Partnership, for those investments not valued at cost as of December 31, 2004.

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

As of December 31, 2004, 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 December 31, 2004 of \$7.47 per share. This results in a total valuation of \$15,626,269, with an unrealized gain of \$6,667,254 on our cost basis of \$8,959,015 as of December 31, 2004. This valuation represents an increase of \$6,589,391 from the valuation for Alnylam as of September 30, 2004.

Value Computation:

Common Stock		
2,091,870 shares	x \$7.47	= <u>\$15,626,269</u>

CHP II, L.P.
Portfolio Valuations as of December 31, 2004
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 December 31, 2004. This valuation represents no change from the valuation for AthenaHealth as of September 30, 2004.

Value Computation:

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

INTELLICARE – In May 2002, IntelliCare completed a \$10.15 million second round financing at \$0.1923 per share, valuing the company at \$20.15 post-money. New investor Canaan Partners led the financing, with CHP II contributing \$1 million. We propose to value our investment on the basis of this financing, resulting in an unrealized loss of \$1,535,415 on our cost basis of \$4,000,000 as of December 31, 2004. This valuation represents no change from the valuation for IntelliCare as of September 30, 2004.

Value Computation:

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

CHP II, L.P.**Portfolio Valuations as of December 31, 2004****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 \$71,788 to CHP II, representing our share of the liquidation proceeds to date. As a result, we have reduced the carrying value for the investment to \$28,212 (\$100,000 - \$71,788). At this valuation, our investment shows an unrealized loss of \$1,409,061 on a remaining cost basis of \$1,437,273 as of December 31, 2004. This valuation represents no change from our carrying value for Molecular Mining as of September 30, 2004.

Value Computation:

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

MOMENTA PHARMACEUTICALS – On June 21, 2004, Momenta (NASDAQ:MNTA) completed an initial public offering of its securities priced at \$6.50 per share, selling 6.15 million shares, with net proceeds to the company of \$37.2 million. Concurrent with the completion of the IPO, the company enacted a 1 to 1.28 split on all outstanding shares, with all shares of preferred stock automatically being converted to common stock. Accordingly, all of the CHP II holdings of preferred stock have been converted into 2,101,286 shares of Momenta common stock, with a combined cost basis of \$6,375,006. In addition, CHP II purchased 69,000 shares of Momenta common stock in the IPO, at a total cost of \$448,500.

As of December 31, 2004, CHP II holds 2,170,286 shares of Momenta common stock. Approximately 20% of these shares are subject to Rule 144 trading restrictions and in accordance with the Standard Valuation Policy of CHP II, L.P., until the Rule 144 restriction period ends, we propose all of our shares at a 10% discount from the closing market price for Momenta on December 31, 2004 of \$7.06 per share. This results in a total valuation of \$13,789,997 with an unrealized gain of \$6,966,491 on our cost basis of \$6,823,506 as of December 31, 2004. This valuation represents an increase of \$393,907 from the valuation for Momenta as of September 30, 2004.

Value Computation:

$$\begin{array}{rcl} \text{Common Stock} & & \\ 2,170,286 \text{ shares} \times \$7.06 \times 90\% & = & \underline{\underline{\$13,789,997}} \end{array}$$

CHP II, L.P.
Portfolio Valuations as of December 31, 2004
Page 4 of 4

SIRTRIS PHARMACEUTICALS – On November 16, 2004, Sirtris completed a \$13 million Series A-1 Preferred stock financing priced at \$0.60 per share and valuing the Company at \$9 million pre-money. A new investor, The Wellcome Trust, led this financing, with CHP II investing \$2.25 million. We propose to value our investment at the Series A-1 price of \$0.60, resulting in an unrealized gain of \$160,000 on our cost basis of \$3,050,000 as of December 31, 2004. Including the \$2.25 million invested during the period, this valuation represents an increase of \$2.41 million from the valuation for Sirtris as of September 30, 2004.

Value Computation:

Series A Convertible Preferred Stock	
1,600,000 shares x \$0.60	= \$ 960,000
Series A-1 Convertible Preferred Stock	
3,750,000 shares x \$0.60	= <u>2,250,000</u>
Total Value	<u>\$3,210,000</u>

CHP II, L.P.
Portfolio Investment Valuation Summary
For the Quarter ended December 31, 2004

<u>Portfolio Company</u>	<u>Investment</u>	<u>Fair Value</u> <u>12/31/04</u>	<u>Fair Value</u> <u>09/30/04</u>	<u>Change from</u> <u>Prior Quarter</u>	<u>Reason for Change</u>
Alnylam Pharmaceuticals, Inc.	\$8,959,015	\$15,626,269	\$9,036,878	\$6,589,391	Lockup Expiration/Market Price Decrease. (note 1)
AthenaHealth, Inc.	\$5,000,001	\$8,181,820	\$8,181,820	\$0	
CardioOptics, Inc.	\$3,001,279	\$3,001,279	\$3,001,279	\$0	
CodeRyte, Inc.	\$2,780,004	\$2,780,004	\$2,780,004	\$0	
Intellicare America, Inc.	\$4,000,000	\$2,464,585	\$2,464,585	\$0	
Mobile Medical Industries	\$4,980,410	\$4,980,410	\$4,000,000	\$980,410	Follow-on Investment. (note 2)
Molecular Mining Corporation	\$1,437,273	\$28,212	\$28,212	\$0	
Momenta Pharmaceuticals	\$6,823,506	\$13,789,997	\$13,396,090	\$393,907	Lockup Expiration/Market Price Decrease. (note 3)
Replication Medical	\$2,776,176	\$2,776,176	\$2,500,000	\$276,176	Follow-on Investment. (note 4)
Rib-X Pharmaceuticals	\$4,000,000	\$4,000,000	\$4,000,000	\$0	
Sittris Pharmaceuticals	\$3,050,000	\$3,210,000	\$800,000	\$2,410,000	Follow-on Investment. (note 5)
Total Portfolio	\$46,807,664	\$60,838,752	\$50,188,868	\$10,649,884	

1. After the completion of the Alnylam IPO, CHP II holds 2,091,870 shares of Alnylam common stock. All of these shares are now freely tradable and we propose to value our securities at the closing price for Alnylam common stock (NASDAQ: ALNY) as of December 31, 2004 of \$7.47 per share. The valuation increase for the period reflects the change from the closing price as of September 30, 2004 of \$5.76 per share, coupled with the removal of the previously applied 30% discount (underwriter's lockup).
2. On December 28, 2004, CHP II contributed \$980,410 to a \$5 million Series C preferred financing for Mobile Medical done in tandem with the Alliance Care merger. This insider-led financing was priced at \$10 per share, the same level as the Series B Preferred.
3. After the completion of the Momenta IPO, CHP II holds 2,170,296 shares of Moment common stock. Approximately 20% of these shares are subject to Rule 144 trading restrictions and in accordance with the CHP II valuation policy, a discount of 10% has been applied from the closing market price for Momenta common stock (NASDAQ: MNTA) as of December 31, 2004 of \$7.06 per share. The valuation increase reflects the change from the closing price as of September 30, 2004 of \$8.23 per share, coupled with the reduction in the discount factor from 30% (underwriter's lockup) to the current 10%.
4. On December 28, 2004, CHP II contributed \$276,176 to a \$1 million insider-led Series C preferred financing for Replication Medical.
5. On November 16, 2004, CHP II contributed \$2,250,000 to the \$13 million Series A-1 preferred financing for Sittris Pharmaceuticals. The financing was led by new investor Wellcome Trust and valued the company at \$9 million pre-money, a 20% mark-up from the Series A financing round closed in August./

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

Provider of comprehensive integrated medical and rehabilitation services.

Period Summary: 4th Quarter 2004

A number of notable achievements were realized in the last quarter of 2004 including; the attainment of profitability, the completion of the acquisition of the Alliance Care Rehab and the completion of \$17 million in combined equity and debt financing. CHP II contributed \$1 million to the insider-led \$5 million equity portion of the financing that was done at an effective pre-money value of \$55 million. The company also has formally changed its name to AllianceCare, Inc.

Management believes the accretive nature of the Alliance Care acquisition will lead to strong growth in both the base business and the rehabilitation care business. Mobile Medical itself operated at EBITDA positive for the last quarter of the year and is forecast to be solidly positive after the integration of the Alliance Care merger. The company has adequate capital resources to support operations for the foreseeable future and will likely require no further investment capital. The annualized revenue run rate for the combined organization is currently \$72 million, with monthly EBITDA in excess of \$300K.

While financial performance for much of 2004 was a disappointment, management has made substantial progress restructuring operations to improve results. For the year, core business growth was relatively flat, leading to much of the revenue variance to plan. However, the company is now operating at EBITDA positive and management has done an excellent job reducing overhead over the second half of 2004. A major focus of management in the coming months will be on improving efficiency through consolidating resources of the two entities, integrating field teams, and improving employee recruiting, training, productivity and retention. The company is actively recruiting for a Chief Operating Officer to manage the integration process.

The combination of the medical services offered by Mobile Medical with the rehabilitation clinics operated by the former Alliance Care produces a highly complimentary platform for growth. The "new" AllianceCare emerges with more than 1000 employees (65% licensed physicians, nurses or therapists), 12,000 patients (70% living in senior facilities) and projected revenue growth to almost \$100 million in 2005, with EBITDA of \$8 million. We are very enthusiastic about the prospects for the company going forward.

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	22,810	51,816
SG&A	15,197	19,011	23,287	21,662	37,308
EBIT	-2,253	-4,443	-6,717	-2,652	7,133
Interest and Taxes	-1,760	-1,263	-125	-96	-2,116
Net Income	-4,013	-5,706	-6,842	-2,748	5,017
EBITDA	-1,248	-3,966	-6,174	-2,146	8,055

* - Subject to Audit

Last Three Months: Quarter Ended December 31, 2004

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	11,325	15,519	-4,194
Direct Expenses	6,251	7,232	+981
SG&A	5,057	7,018	+1,961
EBIT	17	1,269	-1,252
Interest and Taxes	-50	-32	-18
Net Income	-33	1,237	-1,270
EBITDA	136	1,469	-1,333

Fiscal Year-to-Date: Twelve Months Ended December 31, 2004

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	41,820	52,566	-10,746
Direct Expenses	22,810	24,743	+1,933
SG&A	21,662	25,800	+4,138
EBIT	-2,652	2,023	-4,675
Interest and Taxes	-96	-169	+73
Net Income	-2,748	1,854	-4,602
EBITDA	-2,146	2,727	-4,873

ALLIANCECARE, INC. (cont.)

Summary Balance Sheet as of December 31, 2004: (\$000)

Cash	\$ 3,792	Accounts Payable	\$ 1,765
Accounts Receivable	8,142	Accrued Expenses	3,692
Other Current Assets	<u>1,435</u>	Other Current Liabilities	<u>4,189</u>
Total Current Assets	13,369	Total Current Liabilities	9,646
Net PP&E	1,568	Debt and Other Liabilities	12,878
Acquired Goodwill (Net)	27,795	Shareholders Equity	46,610
Other Assets	<u>975</u>	Retained Earnings	<u>-25,427</u>
Total Assets	<u>\$43,707</u>	Total Liabilities & Equity	<u>\$43,707</u>

Comments:

The company is now operating with positive EBITDA. With the equity infusion done in conjunction with the Alliance Care acquisition, and added borrowing capacity that is expected in the near future, we do not expect the company to require additional financing for the foreseeable future.

CHP II, L.P. Holdings:

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

% Ownership (Full Dilution) 7.9%

Company Valuation at CHP II Cost	\$63.0 million
Company Valuation at Assigned Fair Value	\$63.0 million

Outlook:

We are very excited about combination of Mobile Medical with Alliance Care. We are confident that management has turned the corner on improving the financial performance and have renewed enthusiasm for the prospects for our investment in the “new” AllianceCare.

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

Therapeutics Based on the Novel Biological Mechanism of RNA Interference

Period Summary: 4th Quarter 2004

2004 was a terrific year for Alnylam, as the company completed an IPO and continued to build on its lead in the field of Direct RNAi(TM) therapeutics. Partnerships with Merck, Medtronic and Isis Pharmaceuticals have greatly enhanced capabilities and provide the company with key resources towards building a leading product company founded on RNAi. Financial results for the quarter and the year were in line with expectations and the company ended the year with \$46 million in cash and marketable securities. This provides the company with over two years operating capital. The company also has \$2.8 million remaining on its \$10 million equipment leasing facility.

In November 2004, Alnylam announced the publication in the journal Nature of in vivo demonstration of RNAi-mediated gene silencing in mammals of an endogenous gene by a method that potentially can be applied to Systemic RNAi therapeutics for human disease. These data demonstrated the ability to introduce "drug-like" properties into short interfering RNAs ("siRNAs") and to achieve silencing of an endogenous, clinically-relevant, non-druggable gene target following systemic administration of these siRNAs. This is the most conclusive validation to date of the practical application of RNAi technology for development of human therapeutics.

Revenues for the year ended December 31, 2004 were \$4.3 million as compared with \$0.2 million for the prior year. The increase in revenues for 2004 vs. 2003 is substantially related to payments received on the Merck collaboration agreements. For the year, research and development expenses were \$24.6 million, including \$2.1 million of non-cash stock-based compensation, versus \$13.1 million in 2003, which included \$2.8 million of non-cash stock-based compensation. The increase in research and development expenses in 2004 versus 2003 is due primarily to \$5.5 million in licensing costs recorded as a result of Alnylam's collaboration with Isis, a full year of research and development costs from Alnylam Europe AG, which was acquired by Alnylam in July 2003, higher facilities-related costs due to Alnylam's 2004 move into larger facilities, as well as higher compensation and related costs due to the addition of research and development personnel during 2004. For the year, general and administrative expenses were \$11.9 million, including \$2.0 million of non-cash stock-based compensation, versus \$7.5 million in 2003, which included \$0.6 million of non-cash stock-based compensation. The increase in general and administrative expenses in 2004 versus 2003 is primarily due to higher non-cash stock-based compensation, higher facilities-related costs due to Alnylam's 2004 expansion into new corporate headquarters, costs related to Alnylam's May 2004 initial public offering and a full year of general and administrative costs from Alnylam Europe AG.

ALNYLAM PHARMACEUTICALS (cont.)

FINANCIAL SUMMARY: (\$000)

Statement of Operations:

	<u>Twelve Months Ended</u>		<u>Three Months Ended</u>	
	<u>12/31/04</u>	<u>12/31/03</u>	<u>12/31/04</u>	<u>12/31/03</u>
Revenues	4,278	176	2,646	102
Research & Development	24,603	17,706	5,178	5,823
General & Administrative	<u>11,939</u>	<u>7,527</u>	<u>2,999</u>	<u>2,805</u>
Loss from Operations	-32,264	-25,057	-5,531	-8,526
Other Income (Expense)	<u>-390</u>	<u>+24</u>	<u>-169</u>	<u>-8</u>
Net Income (Loss)	-32,654	-25,033	-5,700	-8,534
Earnings Per Share (\$)	-\$2.98	-\$29.64	-\$0.29	-\$6.18

Summary Balance Sheet as of December 31, 2004:

Cash	\$ 46,046	Accounts Payable	\$ 2,619
Receivables	859	Accrued Expenses	3,956
Other Current Assets	<u>1,276</u>	Deferred Revenue	<u>4,083</u>
Total Current Assets	48,181	Total Current Liabilities	10,658
Net PP&E	11,694	Other Liabilities (LOC)	9,307
Intangible & Other Assets	<u>6,232</u>	Shareholders Equity (Net)	<u>46,142</u>
Total Assets	<u>\$ 66,107</u>	Total Liabilities & Equity	<u>\$ 66,107</u>

Comments:

The company completed its IPO during the quarter receiving net proceeds of \$30 million. Current capital is forecast to be sufficient to support operations into 2007.

CHP II, L.P. Holdings:

Common Stock	2,091,870 shares
Assigned Fair Value (2,091,870 x \$7.47 x 75%)	\$15,626,269
Investment Cost	\$8,959,015
Cost per Share	\$4.283
% Ownership (Shares Outstanding)	10.05%
Company Valuation at CHP II Cost	\$89.1 million
Company Valuation at Market (\$7.47 per share)	\$155.4 million

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

Web-Based Business Practice Management Services for Physician Offices

Period Summary: 4th Quarter 2004

Athena performed well throughout 2004. Revenues for the year grew by 58% and sales grew by 53% over 2003. YTD revenues are within 2.4% of budget, with a very strong sales pipeline entering 2005. Gross margins exceeded plan and the company has been EBITDA positive for the last four quarters. Operating cash flow for the year was -\$878K, mostly driven by higher than forecast interest expense coupled with lower contract-related deposits in Q4.

Athena posted excellent financial results for 2004. The company posted better than forecast results for all metrics except revenues. Athena missed its revenue target for the year due to the combination of implementations lagging expectations, plus lower than forecast sales for Q4. The sales pipeline entering 2005 is strong with a forecast of \$8.4 million for the first quarter. With the completion of the \$6.5 million financing in April, the company has more than adequate capital resources to support its continued growth and infrastructure investment. We believe that Athena will be financially self-sustaining until a liquidity event for the investors.

Revenue was 7% behind of plan for the quarter, due to sales pushing into Q1 2005. Implementations for the quarter were \$3.6 million, well ahead of plan and bringing the YTD budget gap in installed business to 95% of quota. Gross margins were flat for the quarter and slightly behind expectations. Operating expenses were better than plan primarily due to lower sales commissions and marketing expenditures. New contract signings during the period totaled \$2.0 million, 50% lower than quota for the period and driving the YTD sales figures to 95% of plan. This was primarily a result of four large customer opportunities pushing into 2005. The pipeline for the next quarter is expected to deliver results in line with the \$8.5 million quota for the period.

Athena's current annualized revenue run rate is \$45 million, on a contract base of \$60 million. The 2005 budget shows revenues of \$59 million, producing \$1.7 million in EBITDA and operating on a cash flow positive basis. The company has a strong balance sheet coupled with a robust recurring revenue model and strong margins. We view Athena as a very attractive candidate for a liquidity event in the next 12-15 months and remain excited about the prospects for our investment.

ATHENAHEALTH, INC. (cont.)

FINANCIAL RESULTS: (\$000)

Overview: (FYE 12/31)

	<i>2001 Actual</i>	<i>2002 Actual</i>	<i>2003 Actual</i>	<i>2004 Prelim*</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

Last Three Months: Quarter Ended December 31, 2004

	<i>Actual</i>	<i>Budget**</i>	<i>Variance</i>
Revenues	10,951	11,805	-854
Direct Expenses	5,980	6,107	+127
SG&A	4,809	5,109	+300
EBITDA	162	589	-427
Depreciation	-690	-942	+252
Interest and Taxes	-271	-240	-31
Net Income	-799	-593	-206

Fiscal Year-to-Date: Twelve Months Ended December 31, 2004

	<i>Actual*</i>	<i>Budget**</i>	<i>Variance</i>
Revenues	39,025	39,995	-970
Direct Expenses	21,520	22,312	+792
SG&A	16,497	17,055	+558
EBITDA	1,008	628	+380
Depreciation	-3,158	-3,435	+277
Interest and Taxes	-1,212	-955	-257
Net Income	-3,362	-3,762	+400

* Subject to Audit

** Budget Revised on April 30, 2004

ATHENAHEALTH, INC. (cont.)

Summary Balance Sheet as of December 31, 2004: (\$000)

Cash	\$ 12,900	A/P and Accrued Expenses	\$ 4,841
Accounts Receivable	5,109	Deferred Revenue	2,045
Other Current Assets	<u>787</u>	Current Portion of Debt	<u>6,308</u>
Total Current Assets	18,796	Total Current Liabilities	13,194
Net PP&E	3,632	Long Term Debt	5,316
Intangibles (Net)	2,644	Shareholders Equity	51,053
Other Assets	<u>176</u>	Retained Earnings	<u>-44,315</u>
Total Assets	<u>\$25,248</u>	Total Liabilities & Equity	<u>\$25,248</u>

Comments:

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

CHP II, L.P. Holdings:

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

% Ownership (Full Dilution)	5.4%
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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.

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

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

Period Summary: 4th Quarter 2004

During 2004, Cardio-Optics refocused its technology programs towards the development of a coronary lead placement product. To support this refocusing, the current investor syndicate extended the Series A financing by \$3 million in May. The company has completed the design and prototype development phase for the product and will begin human testing in Q1 of 2005. In the latter half of the year, the Board initiated a CEO recruitment engagement to facilitate the move from an R&D focused company, into a market stage company. At year-end the company has two excellent candidates well into the process and expects to complete the engagement in the first quarter of 2005.

During Q4 2004, management proposed an accelerated development plan for the coronary lead placement product that would run the product engineering phase in tandem with the human testing and accelerate product shipping by six months. The plan was approved by the Board in October and implemented soon thereafter. Financial results for the quarter and the year reflect the effect of the plan and all variances are within the parameters of the program as laid out by management. The plan calls for an additional investment of \$1-2 million in early 2005. The current investor group has agreed to provide the company with \$3 million over the first half of 2005 to support this program and to give the new CEO adequate time to complete a new round of financing in the second half of 2005.

We are excited about the prospects for the coronary lead placement product. Under the accelerated development program implemented this quarter, management forecasts that product sales will begin in Q3 2005. With the company on a clear path to becoming a market stage company, we remain upbeat about the prospects for success at Cardio-Optics.

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

Overview: (FYE 12/31)

	<i>2002 Actual</i>	<i>2003 Actual*</i>	<i>2004 Actual*</i>	<i>2005 Budget**</i>
Revenues	0	0	0	1,945
Cost of Sales	0	0	0	680
R&D Expenses	1,000	1,031	2,020	4,285
SG&A	1,527	1,036	1,022	2,545
EBIT	-2,527	-2,067	-3,042	-5,565
Interest and Taxes	23	-31	3	25
Net Income	-2,504	-2,098	-3,039	-5,540

* - Subject to Audit

** - Preliminary – Subject to Board of Directors Approval

Last Three Months: Quarter Ended December 31, 2004

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	0	0	0
Cost of Sales	0	0	0
R&D Expenses	1,019	639	-380
SG&A	272	248	-24
EBIT	-1,291	-887	-404
Interest and Taxes	1	0	+1
Net Income	-1,290	-887	-403

Fiscal Year-to-Date: Twelve Months Ended December 31, 2004

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	0	0	0
Cost of Sales	0	0	0
R&D Expenses	2,020	1,874	-146
SG&A	1,022	898	-124
EBIT	-3,042	-2,772	-270
Interest and Taxes	3	0	+3
Net Income	-3,039	-2,772	-267

CARDIO-OPTICS, INC. (cont.)**Summary Balance Sheet as of December 31, 2004: (\$000)**

Cash	\$ 751	Accounts Payable	\$ 168
Accounts Receivable	0	Accrued Expenses	0
Other Current Assets	<u>0</u>	Other Current Liabilities	<u>146</u>
Total Current Assets	751	Total Current Liabilities	314
Net PP&E	111	Long Term Debt - Lease line	8
Intangibles (Net)	0	Shareholders Equity	10,777
Other Assets	<u>33</u>	Retained Earnings	<u>-10,204</u>
Total Assets	<u>\$ 895</u>	Total Liabilities & Equity	<u>\$ 895</u>

Comments:

In Q4 2004, the current investor syndicate committed \$3 million in bridge financing to support an accelerated development plan implemented this quarter. The company will likely require the first cash infusion from this commitment in Q1 2005. We expect the company to complete a new equity financing round in the later half of 2005.

CHP II, L.P. Holdings:

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

Outlook:

We remain enthusiastic about the prospects for Cardio-Optics.

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

Web-based Automated Coding of Transcribed Medical Documents

Period Summary: 4th Quarter 2004

The company has been very successful in terms of new customer sales while growth related implementation issues have hindered revenues, which are below expectations. Financial results for the first six months of FY05 reflect the revenue shortfall resulting from implementation lags earlier in the year. By year-end, essentially all of the implementation issues have been resolved. Management expects the current cash burn rate to continue for the next 3-6 months as further infrastructure is put in place to handle anticipated growth. The company is forecast to turn cash flow positive by the end of calendar 2005. Monthly revenues are currently >\$200K, with breakeven forecast at \$800K. New contract sales for the quarter represented \$540K in annual revenue, 50% above forecast. Contracted backlog at year-end exceeds \$250K in monthly revenues.

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

At the time of our initial investment in March 2004, the primary challenge for the company was building the management team and skilled staff to manage high growth. Over the last nine months, the company has filled multiple junior management positions in sales, engineering, coding and implementation. The company is still looking to fill some senior management positions including Chief Financial Officer and Chief Technical Officer.

As the company continues to meet the challenges of high growth, we are encouraged by the sales success the company is having in the marketplace. Management believes this is a reflection of the quality of the product, its execution and the attention to customer service. We remain very enthusiastic about the prospects for CodeRyte.

CODERYTE, INC. (cont.)

FINANCIAL RESULTS: (\$000)

Overview: (FYE 06/30)

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

* - Subject to Audit

Last Three Months: Quarter Ended December 31, 2004

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	593	1,126	-533
Cost of Sales	0	0	0
Operating Expenses	1,728	1,714	-14
EBITDA	-1,135	-588	-547
Depreciation & Amort.	-2	-38	+36
Other Income (Expense)	+19	0	+19
Net Income	-1,118	-626	-492

Fiscal Year-to-Date: Six Months Ended December 31, 2004

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	1,134	1,973	-839
Cost of Sales	0	0	0
Operating Expenses	2,783	3,182	+399
EBITDA	-1,649	-1,209	-440
Depreciation & Amort.	-4	-69	+65
Other Income (Expense)	+43	0	+43
Net Income	-1,610	-1,278	-332

CODERYTE, INC. (cont.)**Summary Balance Sheet as of December 31, 2004: (\$000)**

Cash	\$ 8,448	Accounts Payable	\$ 127
Accounts Receivable	454	Accrued Expenses	493
Other Current Assets	<u>87</u>	Deferred Revenue	<u>807</u>
Total Current Assets	8,989	Total Current Liabilities	1,427
Net PP&E	52	Long Term Debt - Lease line	0
Intangibles (Net)	0	Shareholders Equity	15,963
Other Assets	<u>15</u>	Retained Earnings	<u>-8,334</u>
Total Assets	<u>\$ 9,056</u>	Total Liabilities & Equity	<u>\$ 9,056</u>

Comments:

The company is currently ahead of its cash forecast, primarily due to lower than forecast headcount and capital expenditures. Current capital will be more than adequate to support operations as business expands and through the achievement of cash flow breakeven in late 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: 4th Quarter 2004

The forecast for 2005 shows the company turning cash flow positive by the end of Q1. Current capital resources are adequate to support operations well beyond that point. Management is clearly focused on attaining a self-sustaining cash flow position for the company without sacrificing potential growth. Over the last 90 days, the team has implemented plans to improve operating margins and further reduce overhead. The engagement to sell the company continues with no imminent transaction on the horizon. The investor syndicate is hopeful that a successful sale of the company (>\$17.5 MM) can be consummated during 2005. The company continues to perform reasonably well and the company has booked over 85% of the 2005 revenue budget.

Financial results for the fourth quarter of 2004 were below plan due to lower triage call center productivity and delays in new disease management contract implementation. As the period ended, a number of new contracts are pending that will get the company to within \$1 million of the \$19 million sales budget for 2005. The main focus on management is to attain a self-sustaining cash flow position without compromising the ability to grow the business as planned. Plans for operating margin improvement, reduced overhead and customer repricing for the lowest margin accounts have been implemented and improvement in margins had already shown good progress by December 2004.

Revenues for the quarter were 12% below plan due to delays in closing some new accounts and slower growth in the existing customer base. This was offset by better than expected revenue contribution from XL Health, which is now the company's largest client at almost \$400K per month in revenue. Gross margin was 5% lower than plan due to slower revenue growth and lower call center productivity. Operating expenses were 30% better than expectations. Much of this was due to a plan implemented last quarter leading to a cost reduction totaling \$50K per month in sales, marketing and operations support.

Management and the investor syndicate are exploring all avenues to improve the company's cash position and focus. The \$1 million Comerica facility comes due in the second quarter of 2005 and the investor syndicate may need to bridge the company additional financing if a sale transaction is not completed by April 2005.

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 December 31, 2004

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	3,558	4,062	-504
Cost of Revenues	3,053	2,878	-175
SG&A	656	937	+281
EBITDA	-151	247	-398
Depreciation	-264	-217	-47
Interest and Taxes	-26	-27	+1
Net Income	-441	3	-444

Fiscal Year-to-Date: Twelve Months Ended December 31, 2004

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	14,296	15,007	-711
Cost of Revenues	11,489	11,268	-221
SG&A	3,535	4,092	+557
EBITDA	-728	-353	-375
Depreciation	-928	-835	-93
Interest and Taxes	-53	-51	-2
Net Income	-1,709	-1,239	-470

INTELLICARE AMERICA (cont.)

Summary Balance Sheet as of December 31, 2004: (\$000)

Cash	\$ 1,502	Accounts Payable	\$ 509
Accounts Receivable	1,740	Accrued Payroll	735
Other Current Assets	<u>145</u>	Other Current Liabilities	<u>1,817</u>
Total Current Assets	3,387	Total Current Liabilities	3,061
Net PP&E	1,067	Long Term Liabilities	320
Intangibles (Net)	407	Shareholders Equity	18,865
Other Assets	<u>21</u>	Retained Earnings	<u>-17,364</u>
Total Assets	<u>\$ 4,882</u>	Total Liabilities & Equity	<u>\$ 4,882</u>

Comments:

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

CHP II, L.P. Holdings:

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

Outlook:

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

MOLECULAR MINING CORPORATION

Kingston, Ontario

{www.molecularmining.com}

Software Tools for Genomics Research

Period Summary: 4th Quarter 2004

As reported previously, the only outstanding item regarding the liquidation and dissolution of Molecular Mining is the sale and/or licensing of the company's intellectual property. PARTEQ Innovations is acting as agent to sell the intangible assets of the company. The agreement contains a revenue sharing component whereby PARTEQ will receive a ramping percentage of the proceeds, based upon the overall amount of the sale. Under the terms of the agreement, if the intangible assets are sold/licensed for a total of under \$25.5 million, the proceeds will be split solely between the Series B Preferred shareholders and PARTEQ.

To date CHP II has received \$71,788 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 between \$100K - \$150K. CHP II will receive 18.25% of any future distribution to the Series B investors.

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

CHP II, L.P. Holdings:

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

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

Glycomics Based Drug Discovery and Development

Period Summary: 4th Quarter 2004

During the quarter, Momenta (Nasdaq: MNTA) continued to advance their lead product, M-Enoxaparin (M-Enox), a technology enabled generic version of the low molecular weight heparin drug Lovenox®, and the company remains on track to file the ANDA for M-Enox in mid-2005. During 2005, the company intends to characterize the sugars on multiple glycoprotein drugs and establish a product partnership. By applying its proprietary sugar sequencing technology to glycosylated proteins, or proteins that contain complex sugars, Momenta believes that it can broaden its product opportunities to include the \$33 billion market for protein therapeutics.

For the fourth quarter 2004, the Company reported a net loss of \$4.3 million compared with a net loss of \$2.3 million for the same period last year. The Company's net loss for the fiscal year 2004 was \$14.1 million compared with a net loss of \$7.9 million for the prior year. The Company reported revenue under its collaborative agreement with Sandoz of \$2.8 million for the fourth quarter 2004 and \$7.8 million for the fiscal year 2004. Under the collaboration, Momenta and Sandoz have agreed to jointly develop, manufacture, and commercialize M-Enox, with Sandoz responsible for funding substantially all of the development, regulatory, legal and commercialization costs.

Research and development expenses for the fourth quarter 2004 were \$5.5 million, compared to \$2.2 million for the same period in 2003, while research and development expenses for the fiscal year 2004 were \$15.7 million compared to \$5.3 million for fiscal year 2003. The increases in spending for both periods were primarily due to increased headcount; increased expenses associated with the M-Enox program and increased stock compensation expense. General and administrative expenses for the fourth quarter 2004 totaled \$1.9 million, compared with \$1.6 million for the same period in 2003. General and administrative expenses for the fiscal year 2004 were \$6.8 million, compared with \$4.1 million for the same period in 2003. The increases in general and administrative spending for both periods were primarily due to increased headcount, additional insurance coverage and increased professional fees, and for the full year, an increase in stock compensation.

At December 31, 2004, the Company held cash and marketable securities of \$55.1 million, including \$1.5 million of restricted cash associated with a recent lease for its new headquarters. This capital, when combined with the cost sharing arrangement on M-Enox with Sandoz, should provide the company with operating capital well into 2007.

MOMENTA PHARMACEUTICALS, INC. (cont.)

FINANCIAL SUMMARY: (\$000)

Statement of Operations:

	<u>Twelve Months Ended</u>		<u>Three Months Ended</u>	
	<u>12/31/04</u>	<u>12/31/03</u>	<u>12/31/04</u>	<u>12/31/03</u>
Revenues	7,832	1,454	2,838	1,454
Research & Development	15,722	5,347	5,492	2,196
General & Administrative	<u>6,751</u>	<u>4,083</u>	<u>1,911</u>	<u>1,556</u>
Loss from Operations	-14,641	-7,976	-4,565	-2,298
Other Income (Expense)	<u>566</u>	<u>31</u>	<u>232</u>	<u>32</u>
Net Income (Loss)	-14,075	-7,945	-4,333	-2,266
Earnings Per Share (\$)	-\$2.56	-\$5.02	-\$0.18	-\$1.25

Summary Balance Sheet as of December 31, 2004:

Cash	\$ 53,620	Accounts Payable	\$ 2,248
Receivables	2,239	Accrued Expenses	2,667
Other Current Assets	<u>4,158</u>	Deferred Revenue	<u>1,047</u>
Total Current Assets	60,017	Total Current Liabilities	5,962
Net PP&E	2,822	Other Liabilities (LOC)	1,375
Intangible & Other Assets	<u>1,491</u>	Shareholders Equity (Net)	<u>56,993</u>
Total Assets	<u>\$64,330</u>	Total Liabilities & Equity	<u>\$64,330</u>

Comments:

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

CHP II, L.P. Holdings:

Common Stock	2,170,286 shares
Assigned Fair Value (2,170,286 x \$7.06 x 90%)	\$13,789,997
Investment Cost	\$6,823,506
Cost per Share	\$3.144
% Ownership (Shares Outstanding)	8.54%
Company Valuation at CHP II Cost	\$79.8 million
Company Valuation at Market (\$7.06 per share)	\$179.4 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: 4th Quarter 2004

While behind schedule for the first half of 2004, Replication accomplished a major objective for the year by completing the build-out of a manufacturing and office facility located in Cranbury, NJ. The facility will enable the company to scale up production of its own hydrogel devices, which have previously been outsourced to an unreliable European vender.

The company remains behind on its clinical plan; however it retains its lead as the only disk-nucleus implant with human trial results. Replication continues to attract industry wide attention as the most promising surgical alternative to fusion or total disk replacement in the treatment of degenerative disk disease. Clinical progress in the European trials continued at a deliberate pace. A Dutch patient received the NeuDisk implant in mid-November bringing the total number of human procedures to five. Two additional patients are scheduled for late in Q1 of 2005.

Replication continues to take a conservative approach in regard to its regulatory strategy. A pre-IDE meeting in October with the FDA confirmed company expectations regarding its testing and trial control requirements. A second pre-IDE meeting in December was delayed due to some design changes with the device delivery system. We will likely have to completely revise our application, and IDE submission is now projected for Q3 2005.

Good news for the market space arrived on October 26th, with the FDA approval of the Charité™ artificial disc for use in the US. This device treats severe, chronic low back pain by replacing the damaged or worn out spinal disc in the lower back with an artificial disc (manufacturer is DePuy Spine, a division of Johnson and Johnson).

We continue to be very optimistic regarding the potential for Replication's "NeuDisc" device as the company continues to work through the teething challenges of ongoing product development. The current investor syndicate agreed to provide \$2 million in equity financing (\$1 million in December 2004 and \$1 million in March 2005) to support operations until interest from potential strategic investors has been vetted. CHP II contributed \$276K to the initial \$1 million in December. The forecast for 2005 show the company will require an additional \$2-3 million in financing during the year. Investor interest has been high.

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 December 31, 2004

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	0	0	0
R&D Expenses	589	641	+52
Operating Expenses	94	54	-40
EBIT	-683	-695	+12
Interest and Taxes	1	1	0
Net Income	-682	-694	+12

Fiscal Year-to-Date: Twelve Months Ended December 31, 2004

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	0	0	0
R&D Expenses	2,336	2,642	+306
Operating Expenses	388	247	-141
EBIT	-2,724	-2,859	+165
Interest and Taxes	12	11	+1
Net Income	-2,712	-2,878	+166

REPLICATION MEDICAL (cont.)

Summary Balance Sheet as of December 31, 2004: (\$000)

Cash	\$ 630	Accounts Payable	\$ 13
Prepaid Expenses	61	Accrued Expenses	119
Other Current Assets	<u>16</u>	Notes Payable	<u>0</u>
Total Current Assets	707	Total Current Liabilities	132
Net PP&E	588	Long Term Debt	0
Intangibles (net)	0	Shareholders Equity	10,744
Other Assets	<u>0</u>	Retained Earnings	<u>-9,581</u>
Total Assets	<u>\$ 1,295</u>	Total Liabilities & Equity	<u>\$ 1,295</u>

Comments:

The current investor syndicate provided the company with \$1 million in December. They have also agreed to provide an additional \$1 million in March 2005. The forecast for 2005 show the company will require an additional \$2-3 million in financing during the year.

CHP II, L.P. Holdings:

Series B Convertible Preferred Stock	2,614,516 shares
Assigned Fair Value	Investment Cost
Investment Cost	\$2,500,000
Cost per Share	\$0.9562
Series C Convertible Preferred Stock	145,356 shares
Assigned Fair Value	Investment Cost
Investment Cost	\$276,176
Cost per Share	\$1.90
% Ownership (Full Dilution)	20.5%
Company Valuation at CHP II Cost	\$13.5 million
Company Valuation at Assigned Fair Value	\$13.5 million

Outlook:

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

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

Structure-Based Design of Anti-Infective Agents

Period Summary: 4th Quarter 2004

During 2004, the Rib-X scientific team encountered some delays in its lead compound clinical plan due to some unexpected toxicity results in pre-clinical testing. As the year ended, the company began conducting further pre-clinical studies on its lead compound. In addition, the company's lead program has yielded a second compound that will be accelerated into pre-clinical testing as a back-up. Given the breadth of antibacterial activity exhibited by these compounds as compared to major competitor compounds, management is proposing parallel tracking of the two compounds through advanced pre-clinical and clinical development, with the goal of identifying a suitable IND filing candidate in 2005. Additional programs to identify other drug candidate compounds will be accelerated through 2005, as well as an aggressive in-licensing program. The company launched an aggressive in-licensing program with the goal of identifying anti-infective opportunities to combat internal program development attrition and enrich the pipeline. Management will also be more proactive in its outreach to potential partners for out-licensing the Rib-X technology.

Financial performance for the quarter was well ahead of plan in all areas except strategic partner revenues, which have not occurred as planned. The significant positive expense variances are the result of lower personnel costs, the set-aside in June of one of the lead compound programs, and the resulting pushback in scale-up for manufacturing in the lead drug program. Management has recast its financial and clinical plan to measure the impact of revamping the RX-1284 program and the acceleration of the parallel RX-1741 program into 2005. The filing of an initial IND with the FDA is now forecast to occur late next year, rather than the end of this year. Financially, even with the proposed program adjustments, the company has sufficient capital to operate for at least two years and likely well into Phase II clinical trials for two compounds. Management continues to manage expenditures efficiently.

Rib-X remains well ahead of its cash burn plan for the year, but expects the burn to accelerate towards \$1.5 million per month as the lead compounds move into the clinic in the later half of 2005. With the current cash balance, Rib-X has enough capital to operate for at least two more years.

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 December 31, 2004

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	0	472	-472
R&D Expenses	1,889	2,985	+1,096
Operating Expenses	1,503	2,449	+946
EBIT	-3,392	-4,962	+1,570
Interest and Taxes	+111	+95	+16
Net Income	-3,281	-4,867	+1,586

Fiscal Year-to-Date: Twelve Months Ended December 31, 2004

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	0	1,100	-1,100
R&D Expenses	10,230	15,030	+4,800
Operating Expenses	3,534	5,105	+1,571
EBIT	-13,764	-19,035	+5,271
Interest and Taxes	+394	+460	-66
Net Income	-13,370	-18,575	+5,205

RIB-X PHARMACEUTICALS, INC. (cont.)

Summary Balance Sheet as of December 31, 2004: (\$000)

Cash	\$ 39,504	Accounts Payable	\$ 1,349
Accounts Receivable	425	Accrued Expenses	0
Other Current Assets	<u>154</u>	Notes Payable Current	<u>841</u>
Total Current Assets	40,083	Total Current Liabilities	2,190
Net PP&E	5,035	Notes Payable	2,692
Intangibles (net)	0	Shareholders Equity	72,573
Other Assets	<u>249</u>	Retained Earnings	<u>-32,088</u>
Total Assets	<u>\$45,367</u>	Total Liabilities & Equity	<u>\$45,367</u>

Comments:

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

CHP II, L.P. Holdings:

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

Outlook:

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

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

Biopharmaceutical Development Utilizing the Body's Natural Ability to Fight Disease

Period Summary: 4th Quarter 2004

In November of 2004, CHP II contributed \$2.25 million to the \$13 million first round financing for Sirtris. This financing was led by a new investor, The Wellcome Trust and valued the company at \$9.4 pre-money, a 20% step-up from the August 2004 seed financing round. Also participating in the financing were current investors Polaris Venture Partners, Techno Venture Management, and Skyline Ventures. Management forecasts that the current capital is sufficient to support operations for 2 years. In order to accelerate the development program into the clinic, the company is exploring the option of an additional financing round early in 2005. As the year ended, the company has received interest for a further round of financing from numerous venture and strategic investors.

During the quarter the company announced the hiring of Dr. Michael Milburn as Senior Vice President of Research and Corporate Development. Dr. Milburn brings to Sirtris over 15 years of pharmaceutical research and discovery experience, and has extensive knowledge of technologies and therapeutic areas central to Sirtris' efforts. Prior to joining Sirtris, Dr. Milburn was Senior Vice President of Research at Plexxikon Inc., where he led the pre-clinical/clinical development of projects in the areas of diabetes and inflammation. Among these was the development of a novel pan PPAR agonist that was partnered with Wyeth Pharmaceuticals for \$370M. Previously, Dr. Milburn was a director of structural chemistry at GlaxoSmithKline where he worked for over 10 years.

The company is beginning to build its infrastructure and has recently moved into a new research facility. The focus over the next few months will be on building the organization, improving the intellectual property and moving the science forward towards identification of a lead drug compound. The current goal is to be in the clinic in 2005 followed by the filing of an initial IND in the first half of 2006.

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 December 31, 2004

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	0	0	0
R&D Expenses	1,247	1,165	-82
Operating Expenses	514	500	-14
EBIT	-1,761	-1,665	-96
Interest and Taxes	+42	+2	+40
Net Income	-1,719	-1,663	-56

Fiscal Year-to-Date: Twelve Months Ended December 31, 2004

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	0	0	0
R&D Expenses	1,247	1,165	-82
Operating Expenses	554	512	-42
EBIT	-1,801	-1,677	-124
Interest and Taxes	+45	+2	+43
Net Income	-1,756	-1,675	-81

SIRTRIS PHARMACEUTICALS, INC. (cont.)

Summary Balance Sheet as of December 31, 2004: (\$000)

Cash	\$ 16,656	Accounts Payable	\$ 629
Accounts Receivable	0	Accrued Expenses	322
Other Current Assets	<u>67</u>	Notes Payable Current	<u>0</u>
Total Current Assets	16,723	Total Current Liabilities	951
Net PP&E	261	Notes Payable	0
Intangibles (net)	0	Shareholders Equity	17,852
Other Assets	<u>63</u>	Retained Earnings	<u>-1,756</u>
Total Assets	<u>\$17,047</u>	Total Liabilities & Equity	<u>\$17,047</u>

Comments:

With the current cash balance, Sirtris has enough capital to operate for at least two years. Management is in discussions with additional investors for financing to accelerate current programs into the clinic.

CHP II, L.P. Holdings:

Series A Convertible Preferred Stock	1,600,000 shares
Assigned Fair Value (1,600,000 x \$0.60)	\$960,000
Investment Cost	\$800,000
Cost per Share	\$0.50
Series B Convertible Preferred Stock	3,750,000 shares
Assigned Fair Value	Investment Cost
Investment Cost	\$2,250,000
Cost per Share	\$0.60
% Ownership (Full Dilution)	14.3%
Company Valuation at CHP II Cost	\$21.3 million
Company Valuation at Assigned Fair Value	\$22.4 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.