

June 5, 2008

Cardinal Health, Inc.
7000 Cardinal Place
Dublin, OH 43017

Dear Sir or Madam:

Sometime in the next few weeks, the Project On Government Oversight (POGO) will update its Federal Contractor Misconduct Database (<http://www.contractormisconduct.org/>), a compilation of information from public resources regarding government contractors, including Cardinal Health. I have enclosed the findings relevant to your company, and I am seeking verification of this data.

Any response would be greatly appreciated, as the accuracy of this information is in the best interest of all parties. Out of fairness to Cardinal Health, please be assured that any response received by POGO will be posted on the website along with the data.

The biggest change we will be making to the database is the inclusion of more federal contractors (the top 100). We are also adding new instances that we have found in recent months and updating instances already in the database with new information. Please note that the database also includes pending instances, but these are kept separate from resolved instances and are not included in the totals.

If you have any questions, I can be reached at (202) 347-1122. Thank you for your time and consideration.

Sincerely,

Neil Gordon
Investigator

Enclosure

Instances

1. In re Cardinal Health, Inc. Securities Litigation (Securities Fraud)

Date: 04/22/2005 (Date of Filing)

Misconduct Type: Securities

Enforcement Agency: Non-Governmental

Contracting Party: None

Court Type: Civil

Amount: \$600,000,000

Disposition: Settlement

Synopsis: Plaintiffs, investors in Cardinal Health, Inc., filed a securities fraud action against Cardinal Health, its individual executives and Cardinal's independent auditor, accounting firm Ernst & Young, alleging that from 1998 through 2002 the company, aided by Ernst & Young, engaged in a scheme to artificially inflate its earnings and conceal its debt. In October 2007, the court approved a settlement establishing a \$600 million fund to be distributed to investors who purchased Cardinal Health stock between October 2000 and July 2004.

2. Inadequate Accounting Practices

Date: 01/27/2006 (Date of Settlement)

Misconduct Type: Securities

Enforcement Agency: SEC

Contracting Party: None

Court Type: Administrative

Amount: \$35,000,000

Disposition: Settlement

Synopsis: In October 2003, the Securities and Exchange Commission began looking into how Cardinal Health accounted for expected settlements of lawsuits against vitamin manufacturers. The following year, the probe expanded to include Cardinal's method of classifying its drug-distribution business revenue. As the result of an internal investigation, Cardinal restated its annual and quarterly financial statements for three years. In January 2006, Cardinal reached a settlement with the SEC and agreed to a \$35 million penalty.

3. Failure to Conform to Current Good Manufacturing Practices

Date: 07/10/2001 (Date of Inspection Report)

Misconduct Type: Health

Enforcement Agency: Health and Human Servs.

Contracting Party: None

Court Type: Administrative

Amount: \$0

Disposition: Administrative Agreement

Synopsis: In 2001, an inspection of Cardinal Health's drug manufacturing facility in Winchester, Kentucky showed deviations from "Current Good Manufacturing Practices Regulations" (21 CFR 210, 211), causing certain drug products to be adulterated. The deviations included "batch records [that did not] accurately reflect the actual manufacturing process," "no documentation that manufacturing employees are trained/instructed following significant changes in procedures" and "failure to have appropriate controls over computerized laboratory systems to assure that changes in or deletions of records are instituted only by authorized personnel." Cardinal Health was given fifteen working days to complete corrective actions.