

**CARDINAL HEALTH PARTNERS, L.P.**

**QUARTERLY REPORT**

**4th 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](mailto:johnpark@cardinalpartners.com).

**CARDINAL HEALTH PARTNERS, L.P.**

**QUARTERLY REPORT**

**4th QUARTER, 2005**

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TO: The Limited Partners

FROM: John K. Clarke

DATE: March 20, 2006

SUBJECT: Activity for the Quarter ended December 31, 2005

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Activity for the quarter was highlighted by the filing of an S-1 registration statement for the initial public offering by Visicu. The filing range for the offering is \$11-\$13 per share, more than 10 times our average cost per share of \$1.075. In other portfolio news, Athena ended 2005 well positioned to provide investor liquidity within the next 12-18 months. Financial performance at AccentCare was steady as the company works to improve its profitability. Finally, NexCura was sold in a transaction that resulted in a disappointing return on our investment. A synopsis of activity for the quarter at each active portfolio company follows.

***AccentCare*** – While financial performance at AccentCare in the current quarter was somewhat disappointing, the company has maintained its positive momentum. Revenues for the period were \$25.4 million, a 2% growth over the prior quarter, but 4% below plan. West Coast labor market tightness remains the primary driver in the revenue shortfall to plan. Gross margins were 28% for the period and 2% better than forecast. EBITDA was +\$303K for the period, 25% behind plan due to the lower West Coast revenue. The company has a current annualized revenue run rate exceeding \$100 million and has been EBITDA positive for 18 consecutive months. AccentCare has made a remarkable turnaround over the past 24 months, but still struggles to attain long-term profitability in a very low margin business.

***AthenaHealth*** – Athena performed well throughout 2005, while undertaking significant expenditures in infrastructure to support future growth. Revenues for the year have grown 37% over the prior year and sales bookings have grown by 38% over 2004. However, Athena missed its revenue target for the year by 9% due to lower than forecast sales for Q2 and implementations running slightly behind plan. The annualized revenue run rate at year-end was \$63.3 million on a contract base of \$75 million. EBITDA for 2005 was significantly impacted by one-time, non-cash charges totaling \$3.2 million related to moving into a new headquarters facility in July. The company forecast for 2006 shows revenues of \$79.2 million, producing EBITDA of \$6.8 million. The sales pipeline entering 2006 is strong with a forecast of \$9.8 million for the first quarter. During 2005, management began discussions with investment bankers and has projected that a liquidity event would be best timed in late 2006/early 2007 based upon forecasted 2007 revenues of \$110 million with EBITDA of \$19 million. We continue to view Athena as a very attractive candidate for a successful liquidity event in the next 12-18 months.

**NexCura** – During the quarter, NexCura was acquired in a \$6.9 million cash transaction by Thomson, Inc., the \$8B financial publisher. After settlement of outstanding liabilities and other costs, the total net consideration available for distribution to the stockholders was \$2.9 million, subject to a 15% holdback (2 year escrow) related to the representations and warranties made by NexCura. At closing, Cardinal received a total of \$370,742 in cash, plus \$65,425 representing its share of the escrowed funds. While we were hopeful of completing a transaction that would have netted more to the investors, we are satisfied that we have attained the best result for the investors, as well as the employees and customers of the company.

**Visicu** – Visicu ended 2005 with 31 customers under contract for a total of 4,062 ICU beds. Revenues for 2005 were \$18.4 million, an increase of 233% over 2004. The annualized revenue run rate at year-end is \$23.3 million with a signed contract backlog of \$57.6 million. Operating cash flow for the year was \$11.1 million, an increase of 54% over 2004. In October, the company declared a one-time special dividend of \$7.8 million, with Cardinal receiving \$1.24 million. On November 29, 2005, the company filed an S-1 registration statement for an initial public offering of its common stock. The filing range for the offering is \$11-\$13 per share. We are very optimistic of attaining liquidity for the Visicu investment in 2006 at a 10X or better return multiple.

Included in this report are financial statements for the period, an investment valuation memorandum and a report on each of our portfolio companies.

### **Financial Results:**

Net income for the quarter was \$25.7 million, consisting of \$76K of net operating expenses for the period, \$1.2 million in investment income primarily from receipt of the Visicu special dividend, \$4.4 million in realized loss on the NexCura investment, and \$28.9 million in net unrealized gains consisting of a \$25.2 million mark-up on Visicu plus the reversal of a \$3.7 million unrealized loss for NexCura. There was no investment activity in the portfolio this period and one investment realization; the sale of NexCura to Thomson. The cash balance at December 31, 2005 was \$868K, with partners' net assets totaling \$41.3 million.

### **Looking forward:**

We were delighted to host many of you at the Limited Partner Annual Meeting in New York on December 1, 2005. We hope you found the meeting informative. As presented at the meeting, we firmly believe that 2006 will be the breakout year in terms of liquidity and returns for the Cardinal Health Partners portfolio.

We are confident that the portfolio has value potential substantially beyond that of our current carrying value and are diligently pursuing all avenues to realize that value. We remain committed to achieving the best possible return for our investors and appreciate your input and support.

**CARDINAL HEALTH PARTNERS, L.P.**  
**Income Statement**  
**For the Period Ended December 31, 2005**

	Three Months Ended 12/31/05	Twelve Months Ended 12/31/05
Revenue:		
Non Portfolio Income	\$1,837	\$1,873
Interest-Equivalent Amounts	0	0
Expenses:		
Management Fee	57,750	303,477
Professional Fees	10,500	27,750
NVCA Dues & Expenses	2,587	2,587
Amortization of Organization Costs	0	0
Annual Meeting & Misc. Expenses	6,693	9,624
Total Expenses	77,530	343,438
Net Operating Expense	(75,693)	(341,565)
Investment Income	1,245,655	1,253,772
Net Income Before Gains (Losses)	1,169,962	912,207
Realized Gains (Losses)	(4,411,070)	(4,411,070)
Unrealized Gains (Losses)	28,914,070	26,616,529
Net Income (Loss)	\$25,672,962	\$23,117,666

**CARDINAL HEALTH PARTNERS, L.P.**

**Balance Sheet**  
**As of December 31, 2005**

<b>ASSETS:</b>	Period Ended 12/31/05	Period Ended 09/30/05
Cash and Short-Term Investments	\$867,901	\$9,298
Cash Held in Escrow (Net of Reserve of \$15,425)	50,000	0
Accrued Interest (General Partner Promissory Notes)	23,385	20,649
Venture Capital Investments	40,231,177	16,148,919
Receivable from Portfolio Company	0	0
Other Assets	156,091	156,091
	<u>\$41,328,554</u>	<u>\$16,334,957</u>
<b>LIABILITIES &amp; CAPITAL:</b>		
Accrued Expenses and Payables	\$36,280	\$715,645
Investment due Portfolio Company	0	0
Partners' Accounts	41,292,274	15,619,312
Total Liabilities and Capital	<u>\$41,328,554</u>	<u>\$16,334,957</u>

**CARDINAL HEALTH PARTNERS, L.P.****Footnotes****As of December 31, 2005**

Note 1 - Cardinal Health Partners, L.P. is a Limited Partnership and as such is not subject to income taxes at the partnership level.

Note 2 - Net Cash Held in Escrow:	<u>12/31/05</u>	<u>09/30/05</u>
NexCura Holdback Amount	\$65,425	\$0
Accumulated Amortization	<u>(15,425)</u>	<u>0</u>
Total	<u>\$50,000</u>	<u>\$0</u>

Note 3 - Net Organization Costs:	<u>12/31/05</u>	<u>09/30/05</u>
Organization Costs	\$179,000	\$179,000
Accumulated Amortization	<u>(179,000)</u>	<u>(179,000)</u>
Total	<u>\$0</u>	<u>\$0</u>

Note 4 – Other Assets:	<u>12/31/05</u>	<u>09/30/05</u>
GP Promissory Note Principal	\$155,041	\$155,041
Prepaid NJ State Filing Fees	<u>1,050</u>	<u>1,050</u>
Total	<u>\$156,091</u>	<u>\$156,091</u>

Note 5 - Accrued Expenses:	<u>12/31/05</u>	<u>09/30/05</u>
Accounting & Audit	\$27,000	\$11,000
Management Fees	0	609,909
NVCA Dues and Other	9,280	12,290
Legal & Other Professional Fees	<u>0</u>	<u>0</u>
Total	<u>\$36,280</u>	<u>\$633,199</u>

Note 6 – Financial Highlights (Return & IRR):	<u>Net to LP's</u>	<u>Total Fund</u>
Year-to-Date Return on Net Assets	118.77%	127.20%
Internal Rate of Return Since Inception	2.08%	2.55%

CARDINAL HEALTH PARTNERS, L.P.

Report for the Quarter Ended December 31, 2005

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**CARDINAL HEALTH PARTNERS, L.P.**  
**Statement of Cash Flows**  
**For the Period Ended December 31, 2005**

	Three Months Ended 12/31/05	Twelve Months Ended 12/31/05
<b>Cash flows from operating activities</b>		
Net Income Before Gains (Losses)	\$1,169,962	\$912,207
Adjustments to reconcile net income before gains (losses) to net cash used in operating activities:		
Accrued Interest Receivable	(2,736)	(10,854)
Net Organization Costs	0	0
Other Assets	0	21,804
Accrued Expenses & Payables	(679,365)	(437,380)
Net Cash used in Operating Activities	<u>487,861</u>	<u>485,777</u>
<b>Cash flows from investing activities</b>		
Purchases of venture capital investments	0	0
Sales of venture capital investments	370,742	370,742
Net cash used in investing activities	<u>370,742</u>	<u>370,742</u>
<b>Cash flows from financing activities</b>		
Cash contributions by partners	0	0
Cash distribution to partners	0	0
Net cash provided by financing activities	<u>0</u>	<u>0</u>
 Net Change in Cash and Short Term Investments	 858,603	 856,519
Cash and Short Term Investments, beginning	9,298	11,382
Cash and Short Term Investments, ending	<u>\$867,901</u>	<u>\$867,901</u>



**CARDINAL HEALTH PARTNERS, L.P.**  
**Schedule of Venture Capital Investments**  
**As of December 31, 2005**

<b>Company</b>	<b>Debt</b>	<b>Equity</b>	<b>Total Cost</b>	<b>Fair Value</b>	<b>Unrealized Gain (Loss)</b>
AccentCare, Inc.	\$0	\$4,500,002	\$4,500,002	\$428,721	(\$4,071,281)
AthenaHealth, Inc.	0	3,000,000	3,000,000	10,799,999	7,799,999
Esurg Corporation	0	3,999,999	3,999,999	1,000	(3,998,999)
VISICU, Inc. (ICUSA)	0	4,050,000	4,050,000	29,001,457	24,951,457
Totals	\$0	\$15,550,001	\$15,550,001	\$40,231,177	\$24,681,176

**Cardinal Health Partners, L.P.**  
**Statement of Partners' Contributions Accounts**  
**As of December 31, 2005**

	Partners' Total Subscription	Contributions Account 09/30/05	Period Contribution in Cash	Period Contribution by Note	Contributions Account 12/31/05	Partners' Outstanding Subscription
<u>Limited Partners</u>						
LACERA	\$10,000,000	\$10,000,000	\$0	\$0	\$10,000,000	\$0
Nassau Capital Funds, L.P.	9,000,000	9,000,000	0	0	9,000,000	0
Robert Wood Johnson Foundation	7,500,000	7,500,000	0	0	7,500,000	0
State Teachers Ret. System of Ohio	6,992,127	6,992,127	0	0	6,992,127	0
Northwestern University	5,000,000	5,000,000	0	0	5,000,000	0
Fleet Growth Resources (Summit Bank)	5,000,000	5,000,000	0	0	5,000,000	0
Natl. Union Fire Ins. Co. of Pittsburgh	5,000,000	5,000,000	0	0	5,000,000	0
WIN 4 Holdings / BofA Capital Corp.	3,000,000	3,000,000	0	0	3,000,000	0
Wachovia Bank Pension Plan	3,000,000	3,000,000	0	0	3,000,000	0
UNISYS Master Retirement Trust	2,500,000	2,500,000	0	0	2,500,000	0
Venture Investment Associates II	2,000,000	2,000,000	0	0	2,000,000	0
S.R. One Limited	1,500,000	1,500,000	0	0	1,500,000	0
Hillside Capital Incorporated	1,000,000	1,000,000	0	0	1,000,000	0
	\$61,492,127	\$61,492,127	\$0	\$0	\$61,492,127	\$0
<u>General Partner</u>						
Cardinal Health Partners Mgmt.	621,133	621,133	0	0	621,133	0
Total Partnership	\$62,113,260	\$62,113,260	\$0	\$0	\$62,113,260	\$0

**Cardinal Health Partners, L.P.**  
**Statement of Partners' Distributive of Net Assets**  
**For the Period Ended December 31, 2005**

	Private Securities	Public Securities	Cash	Other Assets	Total Assets	Accrued Expenses	Net Assets 12/31/05
<u>Limited Partners</u>							
LACERA	\$6,236,988	\$0	\$134,549	\$35,575	\$6,407,112	(\$5,624)	\$6,401,448
Nassau Capital Funds, L.P.	5,613,275	0	121,094	32,018	5,766,387	(5,062)	5,761,325
Robert Wood Johnson Foundation	4,677,755	0	100,912	26,682	4,805,349	(4,218)	4,801,131
State Teachers Ret. System. of Ohio	4,360,770	0	94,073	24,874	4,479,717	(3,932)	4,475,785
Northwestern University	3,118,458	0	67,276	17,787	3,203,521	(2,813)	3,200,708
Fleet Growth Resources (Summit Bank)	3,118,458	0	67,276	17,787	3,203,521	(2,813)	3,200,708
Pine Street Holdings I LLC	3,118,458	0	67,276	17,787	3,203,521	(2,813)	3,200,708
WIN 4 Holdings LLC	1,871,109	0	40,364	10,673	1,922,146	(1,687)	1,920,459
Wachovia Bank Pension Plan	1,871,109	0	40,364	10,673	1,922,146	(1,687)	1,920,459
UNISYS Master Retirement Trust	1,559,230	0	33,637	8,894	1,601,761	(1,406)	1,600,355
Venture Investment Associates II	1,247,399	0	26,910	7,115	1,281,424	(1,125)	1,280,299
S.R. One Limited	935,541	0	20,183	5,336	961,060	(844)	960,216
Hillside Capital Incorporated	623,707	0	13,454	3,558	640,719	(562)	640,157
	\$38,352,257	\$0	\$827,368	\$218,759	\$39,398,384	(\$34,586)	\$39,363,798
<u>General Partner</u>							
Cardinal Health Partners Mgmt.	1,878,920	0	40,533	10,717	1,930,170	(1,694)	1,928,476
Total Partnership	\$40,231,177	\$0	\$867,901	\$229,476	\$41,328,554	(\$36,280)	\$41,292,274

**Cardinal Health Partners, L.P.**  
**Statement of Partners' Capital \***  
**For the Three Months Ended December 31, 2005**

	Partners' Capital 10/01/05	Net Capital Contributions	Non-Portfolio Income	Net Investment Income (Loss)	Realized Gains (Losses)	Total Income (Loss)	Unrealized Gains (Losses)	Distributions	Partners' Capital 12/31/05
<u>Limited Partners</u>									
LACERA	\$2,514,702	\$0	\$297	\$158,751	(\$312,000)	(\$152,952)	\$4,039,738	\$0	\$6,401,488
Nassau Capital Funds, L.P.	2,263,218	0	266	142,876	(280,800)	(137,658)	3,635,765	0	5,761,325
Robert Wood Johnson Foundation	1,886,040	0	222	119,064	(234,000)	(114,714)	3,029,805	0	4,801,131
State Teachers Ret. System of Ohio	1,758,092	0	207	111,002	(218,154)	(106,915)	2,824,638	0	4,475,785
Northwestern University	1,257,313	0	148	79,376	(155,999)	(76,475)	2,019,870	0	3,200,708
Fleet Growth Resources	1,257,313	0	148	79,376	(155,999)	(76,475)	2,019,870	0	3,200,708
Pine Street Holdings I LLC	1,257,313	0	148	79,376	(155,999)	(76,475)	2,019,870	0	3,200,708
WIN 4 Holdings, LLC.	754,424	0	88	47,625	(93,600)	(45,887)	1,211,922	0	1,920,459
Wachovia Bank Pension Plan	754,424	0	88	47,625	(93,600)	(45,887)	1,211,922	0	1,920,459
UNISYS Master Retirement Trust	628,658	0	74	39,688	(78,000)	(38,238)	1,009,935	0	1,600,355
Venture Investment Associates II	502,941	0	59	31,751	(62,400)	(30,590)	807,948	0	1,280,299
S.R. One Limited	377,198	0	44	23,813	(46,800)	(22,943)	605,961	0	960,216
Hillside Capital Incorporated	251,478	0	29	15,875	(31,200)	(15,296)	403,975	0	640,157
	\$15,463,114	\$0	\$1,818	\$976,198	(\$1,918,551)	(\$940,535)	\$24,841,219	\$0	\$39,363,798
<u>General Partner</u>									
Cardinal Health Partners Mgmt.	1,157	0	19	191,927	(2,492,519)	(2,300,573)	4,072,851	0	1,773,435
Total Partnership	\$15,464,271	\$0	\$1,837	\$1,168,125	(\$4,411,070)	(\$3,241,108)	\$28,914,070	\$0	\$41,137,233

\* - Partners Capital, by definition, does not include contributions made by the General Partner in the form of a Promissory Note.

**Cardinal Health Partners, L.P.**  
**Statement of Partners' Capital \***  
**For the Twelve Months Ended December 31, 2005**

	Partners' Capital 01/01/05	Net Capital Contributions	Non-Portfolio Income	Net Investment Income (Loss)	Realized Gains (Losses)	Total Income (Loss)	Unrealized Gains (Losses)	Distributions	Partners' Capital 12/31/05
<u>Limited Partners</u>									
LACERA	\$2,926,093	\$0	\$303	\$117,248	(\$312,000)	(\$194,449)	\$3,669,844	\$0	\$6,401,488
Nassau Capital Funds, L.P.	2,633,471	0	271	105,523	(280,800)	(175,006)	3,302,860	0	5,761,325
Robert Wood Johnson Foundation	2,194,586	0	226	87,936	(234,000)	(145,838)	2,752,383	0	4,801,131
State Teachers Ret. System of Ohio	2,045,744	0	211	81,982	(218,154)	(135,961)	2,566,002	0	4,475,785
Northwestern University	1,463,010	0	151	58,624	(155,999)	(97,224)	1,834,922	0	3,200,708
Fleet Growth Resources	1,463,010	0	151	58,624	(155,999)	(97,224)	1,834,922	0	3,200,708
Pine Street Holdings I LLC	1,463,010	0	151	58,624	(155,999)	(97,224)	1,834,922	0	3,200,708
WIN 4 Holdings, LLC.	877,841	0	90	35,175	(93,600)	(58,335)	1,100,953	0	1,920,459
Wachovia Bank Pension Plan	877,841	0	90	35,175	(93,600)	(58,335)	1,100,953	0	1,920,459
UNISYS Master Retirement Trust	731,507	0	75	29,312	(78,000)	(48,613)	917,461	0	1,600,355
Venture Investment Associates II	585,220	0	60	23,450	(62,400)	(38,890)	733,969	0	1,280,299
S.R. One Limited	438,907	0	45	17,587	(46,800)	(29,168)	550,477	0	960,216
Hillside Capital Incorporated	292,617	0	30	11,725	(31,200)	(19,445)	366,985	0	640,157
	\$17,992,857	\$0	\$1,854	\$720,985	(\$1,918,551)	(\$1,195,712)	\$22,566,653	\$0	\$39,363,798
<u>General Partner</u>									
Cardinal Health Partners Mgmt.	26,710	0	19	189,349	(2,492,519)	(2,303,151)	4,049,876	0	1,773,435
Total Partnership	\$18,019,567	\$0	\$1,873	\$910,334	(\$4,411,070)	(\$3,498,863)	\$26,616,529	\$0	\$41,137,233

\* - Partners Capital, by definition, does not include contributions made by the General Partner in the form of a Promissory Note.

**Cardinal Health Partners, L.P.**  
**Statement of Partners' Accounts**  
**For the Period from July 25, 1997 to December 31, 2005**

	Partners' Contribution Account	Non-Portfolio Income	Net Investment Income (Loss)	Realized Gains (Losses)	Total Income (Loss)	Unrealized Gains (Losses)	Distributions	Partner Transfer	Partners' Account 12/31/05
<u>Limited Partners</u>									
LACERA	\$10,000,000	\$28,240	(\$1,223,294)	(\$969,720)	(\$2,164,774)	\$3,178,859	(\$4,612,597)	\$0	\$6,401,488
Nassau Capital Funds, L.P.	9,000,000	25,413	(1,100,967)	(872,746)	(1,948,300)	2,860,975	(4,151,350)	0	5,761,325
Robert Wood Johnson Foundation	7,500,000	21,179	(917,471)	(727,288)	(1,623,580)	2,384,143	(3,459,432)	0	4,801,131
State Teachers Ret. System of Ohio	6,992,127	19,749	(855,344)	(678,039)	(1,513,634)	2,222,700	(3,225,408)	0	4,475,785
Northwestern University	5,000,000	14,119	(611,648)	(484,859)	(1,082,388)	1,589,431	(2,306,335)	0	3,200,708
Fleet Growth Resources	5,000,000	14,119	(611,648)	(484,859)	(1,082,388)	1,589,431	(2,306,335)	0	3,200,708
National Union Fire Ins. Co. of Pitts.	5,000,000	13,938	(594,766)	(810,867)	(1,391,695)	(325,009)	(1,414,077)	(1,869,219)	0
Pine Street Holdings I LLC	0	181	(16,882)	326,008	309,307	1,914,440	(892,258)	1,869,219	3,200,708
Bank of America Capital Corporation	2,741,431	6,828	(184,638)	311,688	133,878	449,985	(582,797)	(2,742,497)	0
WIN 4 Holdings, LLC	258,569	1,643	(182,349)	(602,604)	(783,310)	503,674	(800,971)	2,742,497	1,920,459
Wachovia Bank Pension Plan	3,000,000	8,471	(366,987)	(290,916)	(649,432)	953,659	(1,383,768)	0	1,920,459
UNISYS Master Retirement Trust	2,500,000	7,060	(305,823)	(242,429)	(541,192)	794,714	(1,153,167)	0	1,600,355
Venture Investment Associates II	2,000,000	5,647	(244,657)	(193,944)	(432,954)	635,772	(922,519)	0	1,280,299
S.R. One Limited	1,500,000	4,236	(183,494)	(145,458)	(324,716)	476,829	(691,897)	0	960,216
Hillside Capital Incorporated	1,000,000	2,823	(122,332)	(96,972)	(216,481)	317,887	(461,249)	0	640,157
	\$61,492,127	\$173,646	(\$7,522,300)	(\$5,963,005)	(\$13,311,659)	\$19,547,490	(\$28,364,160)	\$0	\$39,363,798
<u>General Partner</u>									
Cardinal Health Partners Mgmt.	621,133	1,753	(1,137,852)	(2,403,744)	(3,539,843)	5,133,685	(286,499)	0	1,928,476
Total Partnership	\$62,113,260	\$175,399	(\$8,660,152)	(\$8,366,749)	(\$16,851,502)	\$24,681,175	(\$28,650,659)	\$0	\$41,292,274

**Cardinal Health Partners, L.P.**  
**Comprehensive Fund Investment Summary**  
**For the Period from July 25, 1997 to December 31, 2005**

Portfolio Company	Investment Cost	Assigned Fair Value	Unrealized Gain (Loss)	Proceeds + Realized Value	Realized Gain (Loss)	Cumulative Investment Return
<b><u>Private Company Investments</u></b>						
AccentCare, Inc.	\$4,500,002	\$428,721	(\$4,071,281)	\$0	\$0	(\$4,071,281)
AthenaHealth, Inc.	3,000,000	10,799,999	7,799,999	0	0	7,799,999
Esurg Corporation (aka GroupSource)	3,999,999	1,000	(3,998,999)	0	0	(3,998,999)
VISICU, Inc.	4,050,000	29,001,457	24,951,457	0	0	24,951,457
<b><u>Fully Disposed Investments</u></b>						
Cubist Pharmaceuticals	3,999,998	0	0	12,066,659	8,066,661	8,066,661
InLight/ProMedex	3,334,443	0	0	0	(3,334,443)	(3,334,443)
Medcontrax (formerly Syntegra)	3,771,267	0	0	21,804	(3,749,463)	(3,749,463)
Molecular Mining Corporation	1,350,000	0	0	350,000	(1,000,000)	(1,000,000)
NexCura, Inc.	4,831,812	0	0	420,742	(4,411,070)	(4,411,070)
ParkStone Medical Information Systems	5,500,000	0	0	0	(5,500,000)	(5,500,000)
PointShare Corporation	3,850,001	0	0	143,012	(3,706,989)	(3,706,989)
Sentinel Health Partners	3,000,000	0	0	0	(3,000,000)	(3,000,000)
Signature Plastic Surgery	4,785,000	0	0	23,455	(4,761,545)	(4,761,545)
TechRx / NDCHealth	4,115,000	0	0	17,949,440	13,834,440	13,834,440
WiseBear, Inc.	1,000,000	0	0	195,660	(804,340)	(804,340)
	\$55,087,522	\$40,231,177	\$24,681,176	\$31,170,772	(\$8,366,749)	\$16,314,427

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TO: The Limited Partners

FROM: John J. Park

DATE: February 16, 2006

SUBJECT: Portfolio Valuations for December 31, 2005

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Investment securities held by Cardinal Health Partners, L.P. (the “Partnership”) have been valued in accordance with the Amended Standard Valuation Policy of the Partnership. In accordance with the Policy, restricted securities are valued at cost, until subsequent events of a significant nature indicate the need for a change. Public securities are valued at a discount to market according to the trading restrictions. This memorandum delineates the portfolio valuations as proposed by the General Partner, and approved by the Limited Partner Advisory Committee, for those investments not valued at cost as of December 31, 2005.

**ACCENTCARE** – In May 2005, the company completed a \$13.8 million insider led financing that included the conversion of \$10 million in promissory notes. The financing valued the equity of the company at \$36 million post-money. Concurrent with the financing, the company enacted a 100 to 1 reverse split of the outstanding common and preferred stock of the corporation. As a result, the financing significantly diluted non-participating investors, while preserving the existing liquidation preferences of previous preferred series. Cardinal was not a participant in the financing. The financing took the form of a Series D preferred priced at \$2.2334 per share, triggering the weighted average anti-dilution protection provided for in the Series A and Series B preferred stock. Due to the dilution sustained from this financing, we propose to reduce the valuation for the AccentCare investment to the Series D preferred price on the basis of common stock equivalents. This results in a total carrying value of \$428,721 for the AccentCare investment, with a corresponding accumulated unrealized loss on the investment of \$4,071,281 on our cost basis of \$4,500,002 as of December 31, 2005. This valuation represents a decrease of \$571,279 from the valuation for AccentCare as of September 30, 2005.

Value Computation:

Series A Convertible Preferred Stock		
118,035 CSE's x \$2.2334	=	\$263,619
Series B Convertible Preferred Stock		
73,924 CSE's x \$2.2334	=	<u>165,102</u>
Total Value		<u>\$428,721</u>



**CARDINAL HEALTH PARTNERS, L.P.**  
**Portfolio Valuations as of December 31, 2005**  
**Page 2 of 3**

**ATHENAHEALTH** – On April 8, 2004, AthenaHealth completed a \$7.5 million Series E Preferred stock financing priced at \$5.04 per share and valuing the Company at \$142 million pre-money. A new investor, Granite Global Ventures, led this financing. Cardinal Health Partners did not participate in the financing. We propose to value our investment at the Series E price of \$5.04, resulting in an unrealized gain of \$7,799,999 on our cost basis of \$3,000,000 as of December 31, 2005. This valuation represents no change from the valuation as of September 30, 2005.

Value Computation:

$$\begin{array}{l} \text{Series C Convertible Preferred Stock} \\ 2,142,857 \text{ shares} \times \$5.04 \end{array} = \underline{\underline{\$10,799,999}}$$

**GROUP SOURCE SOLUTIONS / ESURG** – In early 2001, the company made significant operational cutbacks in order to conserve operating capital. Accordingly, in Q1 2002 we reduced the value of the Esurg investment to a minimal value of \$1,000, until such time as the company attained additional financing or was acquired. In June of 2004, the company merged with ILS, Inc. and all of the Series C preferred was converted into common shares of the newly formed company, Group Source Solutions. In June of 2005, the company dissolved the merger, and did a \$2.5 million “re-start” financing, that further diluted our common stock holdings through a 10 to 1 reverse stock split. We propose to maintain the minimal \$1,000 value for this investment until the investment is sold or the company ceases operations. As of December 31, 2005, the Esurg investment is valued at \$1,000 resulting in a cumulative unrealized loss of \$3,998,999 on our cost basis of \$3,999,999. This valuation represents no change from the valuation as of September 30, 2005.

Value Computation:

$$\begin{array}{l} \text{Common Stock} \\ 74,211 \text{ shares} \end{array} = \underline{\underline{\$1,000}}$$

**CARDINAL HEALTH PARTNERS, L.P.**  
**Portfolio Valuations as of December 31, 2005**  
**Page 3 of 3**

**NEXCURA** – In November 2005, NexCura was acquired in a cash transaction by Thomson Financial. After settlement of outstanding liabilities and other costs, the total net consideration available to be distributed to the stockholders was \$2.9 million, subject to a 15% holdback (2 year cash escrow) related to the representations and warranties made by NexCura. At closing, Cardinal received a total of \$370,742 in cash, plus \$65,425 as its share of the escrowed funds. We propose to value the holdback funds held in escrow at \$50,000 representing a conservative estimate of the ultimate funds to be received by Cardinal. This amount is recorded on the balance sheet as Net Cash Held in Escrow. As a result of this transaction we have recorded a cash in escrow receivable on the balance sheet totaling \$50,000, recorded a realized loss for \$4,411,070 { \$4,831,812 - (\$370,742 + \$50,000) }, and reversed a previously unrealized loss of \$4,331,812. This valuation represents a decrease of \$450,000 from the valuation as of September 30, 2005.

Value Computation:

Series B & Series C Holdback Funds in Escrow	<u>\$50,000</u>
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**VISICU (formerly IC-USA)** – On November 29, 2005, Visicu filed for an initial public offering with the Securities and Exchange Commission. The offering is being lead managed by Morgan Stanley. The filing range for the offering is \$11-\$13 per share. We propose to value the Visicu investment at \$7.70 per share, representing a 30% discount from the bottom end price per share of \$11 per share from the IPO filing range. This results in a total carrying value for the Visicu investment of \$29,001,457, producing an unrealized gain of \$24,951,457 on our cost basis of \$4,050,000 as of December 31, 2005. This valuation represents an increase of \$25,153,537 from our valuation as of September 30, 2005.

Value Computation:

Series A Convertible Preferred Stock		
3,000,000 shares x \$7.70	=	\$23,100,000
Series B Convertible Preferred Stock		
729,927 shares x \$7.70	=	5,620,438
Series C Convertible Preferred Stock		
36,496 shares x \$7.70	=	<u>281,019</u>
Total Value		<u>\$29,001,457</u>

**CARDINAL HEALTH PARTNERS, L.P.**  
**Portfolio Investment Valuation Summary**  
**For the Quarter Ended December 31, 2005**

<u>Portfolio Company</u>	<u>Investment</u>	<u>Fair Value 12/31/05</u>	<u>Fair Value 09/30/05</u>	<u>Change from Prior Quarter</u>	<u>Reason for Change</u>
AccentCare, Inc.	\$4,500,002	\$428,721	\$1,000,000	(\$571,279)	Mark down. (note 1)
AthenaHealth, Inc.	3,000,000	10,799,999	10,799,999	0	
Esurg Corporation/GroupSource	3,999,999	1,000	1,000	0	
NexCura (formerly CancerFacts.com)	65,425	50,000	500,000	(450,000)	Sale to Thomson (note 2)
VISICU, Inc. (formerly ICUSA)	4,050,000	29,001,457	3,847,920	25,153,537	Mark-up (note 3)
Total Portfolio	\$15,615,426	\$40,281,177	\$16,148,919	\$24,132,258	

- (1) During the quarter, the AccentCare investment was marked down to the Series D price equivalent that more accurately reflects the valuation of the Cardinal holdings at a \$50 million liquidation.
- (2) In November 2005, NexCura was sold to Thomson, Inc. in a \$6.9 million cash transaction. After settlement of all liabilities and outstanding debt, \$3 million was available for distribution to the equity holders, subject to a 15% escrow. At closing, Cardinal received \$370,742 in cash from the sale and has \$65,425 held in escrow. Consequently, Cardinal has reduced the investment value to \$50K representing a conservative estimate of escrow proceeds, recorded a realized loss of \$4,411,070, and reversed the previously unrealized loss of \$4,331,812.
- (3) On November 29, 2005, Visicu filed for an initial public offering with a pricing range of \$11-\$13 per share. The year-end valuation for Visicu is based upon the bottom end of the range for the public offering as filed, discounted 30% to \$7.70 per share as is required for restricted public securities per the Cardinal Valuation Policy.

**ACCENTCARE, INC.**  
**Dana Point, CA**  
**{www.accentcare.com}**

**Comprehensive Assistance Living Services for the Elderly Living at Home**

Period Summary: 4th Quarter, 2005

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While financial performance at AccentCare in the current quarter was somewhat disappointing, the company has maintained its positive momentum. Revenues for the period were \$25.4 million, a 2% growth over the prior quarter, but 4% below plan. West Coast labor market tightness remains the primary driver in the revenue shortfall to plan. Gross margins were 28% for the period and 2% better than forecast. EBITDA was +\$303K for the period, 25% behind plan due to the lower West Coast revenue. The company has a current annualized revenue run rate exceeding \$100 million and has been EBITDA positive for 18 consecutive months. AccentCare has made a remarkable turnaround over the past 24 months, but still struggles to attain long-term profitability in a very low margin business.

During the period we reduced the carrying value for our AccentCare holdings from \$1 million to \$428,721 (based upon the Series D financing closed in May 2005). At this valuation the company carries an entity value of \$42 million (\$36 million equity + \$6 million net debt). However, due to the 2x liquidation preference on the Series D preferred, in order for Cardinal to receive back its investment valuation upon liquidation, total proceeds from the sale of the company would need to be \$53 million. The valuation adjustment was done to more accurately reflect the amount Cardinal would receive from a liquidation of the company at a valuation of \$50 million. As we believe the company will require further financing in the near term, our Series A and Series B positions are likely to suffer further dilution.

AccentCare is currently operating at cash flow breakeven and overall liquidity has improved by \$2.0 million over December 2004. Management has proposed a plan to increase the proportion of higher margin Medicare reimbursed skilled nursing services from 1% currently to 33% of the company's revenue mix. To accomplish this, the company would acquire multiple smaller (<\$10 MM revenue) Medicare service providers located primarily in the Southwestern United States. The acquisition plan would be financed by a combination of seller notes, A/R or cash flow debt financing, mezzanine sub debt and a \$5-\$10 million in new equity by the current investors to add sufficient EBITDA to enable a transition from A/R collateral to cash flow based financing. Under this plan, the forecast revenues for calendar 2007 are forecast to be \$170 million, with EBITDA of \$13 million. We are currently awaiting a term sheet for the financing and will consider investing if the terms are attractive, but will be judicious in our analysis as the company is likely to require further financing prior to a liquidity event.

**ACCENTCARE, INC. (cont.)**

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

Overview: (FYE 3/31)

	<i>FY02 Actual</i>	<i>FY03 Actual</i>	<i>FY04 Actual</i>	<i>FY05 Actual</i>	<i>FY06 Budget</i>
Revenues	22,502	54,815	82,209	92,483	102,569
Cost of Services	15,137	37,349	62,978	68,935	74,940
Operating Expenses	14,617	20,508	24,533	24,110	27,183
EBIT	-7,252	-3,042	-5,302	-562	446
Interest and Taxes	102	-558	-1,910	-2,721	-1,770
<b>Net Income</b>	<b>-7,150</b>	<b>-3,600</b>	<b>-7,212</b>	<b>-3,283</b>	<b>-1,324</b>
<b>EBITDA</b>	<b>-5,693</b>	<b>-2,295</b>	<b>-4,390</b>	<b>+275</b>	<b>+1,305</b>

Last Three Months: Quarter Ended December 31, 2005

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	25,390	26,389	-999
Cost of Services	18,283	19,093	+810
Operating Expenses	6,967	7,114	+147
EBIT	140	182	-42
Interest and Taxes	407	434	+27
<b>Net Income</b>	<b>-267</b>	<b>-252</b>	<b>-15</b>
<b>EBITDA</b>	<b>+303</b>	<b>+411</b>	<b>-108</b>

Fiscal Year-to-Date: Nine Months Ended December 31, 2005

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	75,395	77,239	-1,844
Cost of Services	54,425	56,226	+1,801
Operating Expenses	19,942	20,546	+604
EBIT	1,028	467	+561
Interest and Taxes	1,927	1,329	-598
<b>Net Income</b>	<b>-899</b>	<b>-862</b>	<b>-37</b>
<b>EBITDA</b>	<b>+1,538</b>	<b>+1,140</b>	<b>+398</b>

**ACCENTCARE, INC. (cont.)****Summary Balance Sheet as of December 31, 2005: (\$000)**

Cash	\$ 7,523	Accounts Payable	\$ 970
Accounts Receivable	19,772	Accrued Expenses	5,268
Other Current Assets	<u>1,731</u>	Other Current Liabilities	<u>17,239</u>
Total Current Assets	29,026	Total Current Liabilities	23,477
Net PP&E	796	Long Term Liabilities	5,185
Intangibles (Net)	11,657	Shareholders Equity	62,147
Other Assets	<u>678</u>	Retained Earnings	<u>-48,652</u>
Total Assets	<u>\$42,157</u>	Total Liabilities & Equity	<u>\$42,157</u>

**Comments:**

Overall liquidity at AccentCare has improved \$300K over the current period. The company is slightly behind its cash forecast due to lower than forecast proceeds from the financing that closed in June. Working capital needs will be supported by the A/R facility that currently has over \$3.0 million available.

**Cardinal Health Partners Holdings:**

Series A Convertible Preferred Stock	2,500,000 shares
Assigned Fair Value (118,035 CSE's x \$2.2334)	\$263,619
Investment Cost	\$2,500,000
Cost per Share	\$1.00
Series B Convertible Preferred Stock	1,176,472 shares
Assigned Fair Value (73,924 CSE's x \$2.2334)	\$165,102
Investment Cost	\$2,000,002
Cost per Share	\$1.70
% Ownership (Full Dilution)	1.25%
Company Valuation at Cardinal Cost	\$360.0 million
Company Valuation at Assigned Fair Value	\$34.3 million

**Outlook:**

We are cautiously optimistic about the long term prospects for AccentCare. However, the June 2005 financing substantially diluted our interest, reducing our expectations for a positive return on our investment.

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

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

Period Summary: 4th Quarter, 2005

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Athena performed well throughout 2005, while undertaking significant expenditures in infrastructure to support future growth. Revenues for the year have grown 37% over the prior year and sales bookings have grown by 38% over 2004. However, Athena missed its revenue target for the year by 9% due to lower than forecast sales for Q2 and implementations running slightly behind plan. The annualized revenue run rate at year-end was \$63.3 million on a contract base of \$75 million. EBITDA for 2005 was significantly impacted by one-time, non-cash charges totaling \$3.2 million related to moving into a new headquarters facility in July. The company forecast for 2006 shows revenues of \$79.2 million, producing EBITDA of \$6.8 million.

Financial results for the quarter show revenues of \$15.2 million, a growth of 12.5% as compared to Q3 2005, but 12.5% below plan. The Q4 implementation of \$5.8 million in annual recurring revenue was a record for the company and should drive significant additional revenue growth in Q1 2006. Gross margins improved to 49.3%, up sharply from the 44.4% result from Q3, as revenue growth absorbed new fixed costs. During the quarter, the company recorded substantial (\$3.2 million) one-time non-cash restructuring charges to earnings related to the move into its new headquarters facility and the abandonment of the old facility. These charges are reflected in the SG&A and depreciation line for the income statement this quarter and account for the vast majority of the unfavorable variances to plan for the period. The company also completed a restructuring of its sub-debt during the period that resulted in a one-time non-cash charge of \$310K.

With a restructuring of its sub-debt in December, Athena improved its cash position by \$3 million and has more than adequate capital resources to support current operations plus forecast growth and infrastructure investment. Athena will most likely be financially self-sustaining until a liquidity event for the investors. The company begins 2006 at an annualized revenue run rate of \$63.3 million with an implementation backlog of \$11.7 million. The sales pipeline entering 2006 is strong with a forecast of \$9.8 million for the first quarter. During 2005, management began discussions with investment bankers and has projected that a liquidity event would be best timed in late 2006/early 2007 based upon forecasted 2007 revenues of \$110 million with EBITDA of \$19 million. We continue to view Athena as a very attractive candidate for a successful liquidity event in the next 12-18 months.

**ATHENAHEALTH, INC (cont.)**

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

Overview: (FYE 12/31)

	<i>2002 Actual</i>	<i>2003 Actual</i>	<i>2004 Actual</i>	<i>2005 Actual*</i>	<i>2006 Budget</i>
Revenues	11,985	24,666	39,025	53,554	79,248
Direct Expenses	10,137	16,148	21,520	27,525	39,973
SG&A	8,860	10,501	16,497	29,003	32,429
EBITDA	-7,012	-1,983	1,008	-2,974	6,846
Depreciation	-2,493	-2,894	-3,158	-4,905	-6,094
Interest and Taxes	-55	-475	-1,212	-1,908	-3,061
<b>Net Income</b>	<b>-9,560</b>	<b>-5,352</b>	<b>-3,362</b>	<b>-9,787</b>	<b>-2,309</b>

\* - Subject to Audit

Last Three Months: Quarter Ended December 31, 2005

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	15,250	17,442	-2,192
Direct Expenses	7,758	8,290	+532
SG&A	10,365	7,036	-3,329
EBITDA	-2,873	2,116	-4,989
Depreciation	-1,734	-1,107	-627
Interest and Taxes	-843	-560	-283
<b>Net Income</b>	<b>-5,450</b>	<b>449</b>	<b>-5,899</b>

Fiscal Year-to-Date: Twelve Months Ended December 31, 2005

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	53,554	58,790	-5,236
Direct Expenses	27,525	30,833	+3,308
SG&A	29,003	26,257	-2,746
EBITDA	-2,974	1,700	-4,674
Depreciation	-4,905	-4,533	-372
Interest and Taxes	-1,908	-1,445	-463
<b>Net Income</b>	<b>-9,787</b>	<b>-4,278</b>	<b>-5,509</b>



**ATHENAHEALTH, INC. (cont.)****Summary Balance Sheet as of December 31, 2005: (\$000)**

Cash	\$ 12,800	A/P and Accrued Expenses	\$ 6,675
Accounts Receivable	6,984	Deferred Revenue	2,966
Other Current Assets	<u>1,635</u>	Current Portion of Debt	<u>6,566</u>
Total Current Assets	21,419	Total Current Liabilities	16,207
Net PP&E	14,207	Long Term Liabilities	25,871
Intangibles (Net)	3,622	Shareholders Equity	51,715
Other Assets	<u>195</u>	Retained Earnings	<u>-54,350</u>
Total Assets	<u>\$39,443</u>	Total Liabilities & Equity	<u>\$39,443</u>

**Comments:**

Athena was slightly behind on its cash forecast for the year due to accelerated costs in Q3 related to the new corporate headquarters and the AthenaIndia initiative. The company expects to operate at cash flow break even for most of 2006 as it continues to invest heavily in infrastructure to support future growth.

**Cardinal Health Partners Holdings:**

Series C Convertible Preferred Stock	2,142,857 shares
Assigned Fair Value (\$5.04 x 2,142,857)	\$10,799,999
Investment Cost	\$3,000,000
Cost per Share	\$1.40

% Ownership (Full Dilution) 7.2%

Company Valuation at Cardinal Cost	\$41.7 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.

**ESURG CORPORATION**  
**(aka Group Source Solutions, Inc.)**  
**Seattle, WA**  
**{www.esurg.com}**

**Online Supplies for Outpatient Surgery Centers**

Period Summary: 4th Quarter, 2005

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There is nothing new to report related to the Cardinal investment in Esurg Corporation. By way of review, in May 2004, Esurg completed a merger with Integrated Logistics Systems Group (ILS), a Midwest-based medical supply distributor. The combined entity was renamed to Group Source Solutions, Inc. The merger was done in tandem with a financing of \$2.5 million by some members of the Esurg investor syndicate. The terms of the merger and financing diluted our equity ownership position to 0.25% on a fully diluted basis and converted our preferred shares into 74,211 shares of common stock of Group Source Solutions.

In June 2005, the management of Group Source Solutions concluded that the integration of Esurg with Integrated Logistics Systems Group (ILS) was not producing the desired results. The ILS business was spun out to its prior owners and the Esurg investor syndicate agreed to provide the company with an additional \$2 million in financing and change the name back to Esurg. While this is the most viable long-term course for the company, it is not without significant risk and Cardinal elected not to participate in the financing. Accordingly, the terms of the financing have further diluted our equity ownership position to 0.1% on a fully diluted basis.

As Cardinal is no longer a significant shareholder in the company, Cardinal has lost its information rights and will not receive quarterly financial and operational updates.

Cardinal Health Partners Holdings:

Common Stock	74,211 shares
Assigned Fair Value	\$1,000
Investment Cost	\$3,999,999
Cost per Share	\$1.54
 % Ownership (Full Dilution)	 0.10%

Outlook:

The Cardinal holdings have been diluted substantially and expectations are low for any return on the Esurg investment.

**NEXCURA, INC.**  
**(formerly CancerFacts.com)**  
**Seattle, WA**  
**{www.nexcure.com}**

**eCare Tools for Chronic Disease Management**

Period Summary: 4th Quarter, 2005

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During the quarter, NexCura was acquired in a \$6.9 million cash transaction by Thomson, Inc., the \$8B financial publisher. After settlement of outstanding liabilities and other costs, the net consideration available for distribution to the stockholders was \$2.9 million, subject to a 15% holdback (2 year escrow) related to the representations and warranties made by NexCura. At closing, Cardinal received a total of \$370,742 in cash, plus \$65,425 representing its share of the escrowed funds. While we were hopeful of completing a transaction that would have netted more to the investors, we are satisfied that we have attained the best result for the investors, as well as the employees and customers of the company.

We have valued the holdback funds held in escrow at \$50,000 representing a conservative estimate of the ultimate funds to be received by Cardinal. This amount is recorded on the balance sheet as Net Cash Held in Escrow. As a result of this transaction we have recorded a net cash escrow on the balance sheet for \$50,000, recorded a realized loss for \$4,411,070 { \$4,831,812 - (\$370,742 + \$50,000) }, and reversed a previously unrealized loss of \$4,331,812.

By manner of review, our 1998 investment in NexCura (then "Cancerfacts") was premised by the belief that their state-of-the-art decision support tools would find broad acceptance among insurers, drug & device manufacturers, and clinicians. NexCura was able to attract top tier strategic partners including the American Cancer Society, American Heart Association, and the American Lung Association, as well as major pharmaceutical customers, and became an influential factor in the clinical decisions made by hundreds of thousands of patients suffering from life-threatening, chronic diseases. The company faced many challenges over the years, and was ultimately unable to generate a value proposition sufficiently compelling to propel it toward a meaningful scale. We initiated an effort to sell the company in Q3 '04, resulting in the acquisition by Thomson. In the seven years we managed this investment, we succeeded in generating an ongoing series of new opportunities to succeed, but are disappointed at an outcome that returned so little of our investment.

Cardinal Health Partners Holdings:

Cash Holdback Held in Escrow	\$ 64,425
Reserve Against Escrow	<u>(15,425)</u>
Net Cash Held in Escrow	\$ 50,000

**VISICU, INC.**  
**Baltimore, MD**  
**{www.visicu.com}**

**Remote Monitoring Services for Intensive Care Hospital Units**

Period Summary: 4th Quarter, 2005

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Visicu ended 2005 with 31 customers under contract for a total of 4,062 ICU beds. Revenues for 2005 were \$18.4 million, an increase of 233% over 2004. The annualized revenue run rate at year-end is \$23.3 million with a signed contract backlog of \$57.6 million. Operating cash flow for the year was \$11.1 million, an increase of 54% over 2004. In October, the company declared a one-time special dividend of \$7.8 million, with Cardinal receiving \$1.24 million. On November 29, 2005, the company filed an S-1 registration statement for an initial public offering of its common stock. The filing range for the offering is \$11-\$13 per share. We are very optimistic of attaining liquidity for the Visicu investment in 2006 at a 10X or better return multiple.

Overall financial results for the quarter and the year were behind plan due to lower revenues as a result of longer than forecast activation lead times on new contracts vs. budget coupled with 5 new contract signings forecast for Q4 2005 being pushed into Q1 2006. Operating expenses were unfavorable to forecast due to higher professional fees and other expenses related to the initial public offering filed in November.

Visicu was significantly cash flow positive for 2004 and 2005 and will require no further financing until an investor liquidity event. Operating cash flow is forecast to increase from \$11.1 million in 2005 to \$20.1 million in 2006. The plan for 2006 shows the activation of 10 new sites, including 6 current projects and 4 new customers. The 2006 revenue forecast is \$29.9 million (63% growth over 2005), producing EBIT of \$5.5 million. Management has forecast sales of \$47 million in contract value next year, with the signed contract backlog growing to \$75 million by year-end 2006.

Each passing quarter is providing more confirmation of the value of the VISICU technology to its hospital clients. CEO Frank Sample has guided the company efficiently building sales and marketing, while exercising sound cash and operational management. The company is on track towards the goal of a Q1 2006 IPO. We are very optimistic about the company's prospects for building itself into a significant next generation health care company and providing an outstanding return for our investors.

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

Overview: (FYE 12/31)

	<i>2002 Actual</i>	<i>2003 Actual</i>	<i>2004 Actual</i>	<i>2005 Actual</i>	<i>2006 Forecast</i>
Revenues	2,380	2,218	5,513	18,353	29,933
Cost of Sales	1,638	769	1,423	3,818	5,910
Operating Expenses	7,718	9,862	11,817	15,174	18,491
EBIT	-6,976	-8,413	-7,727	-639	5,532
Interest and Taxes	+36	+6	+19	+11,572	-1,480
<b>Net Income</b>	<b>-6,940</b>	<b>-8,407</b>	<b>-7,708</b>	<b>10,933</b>	<b>4,052</b>

Last Three Months: Quarter Ended December 31, 2005

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	5,795	6,699	-904
Cost of Sales	1,195	1,264	+69
Operating Expenses	4,074	3,660	-414
EBIT	526	1,775	-1,249
Interest and Taxes	+1	+95	-94
<b>Net Income</b>	<b>527</b>	<b>1,870</b>	<b>-1,343</b>

Fiscal Year-to-Date: Twelve Months Ended December 31, 2005

	<i>Actual</i>	<i>Budget</i>	<i>Variance</i>
Revenues	18,353	19,799	-1,446
Cost of Sales	3,818	3,735	-83
Operating Expenses	15,174	14,835	-339
EBIT	-639	1,229	-1,868
Interest and Taxes	+11,572	+294	+11,278
<b>Net Income</b>	<b>10,933</b>	<b>1,523</b>	<b>+9,410</b>

## VISICU, INC. (cont.)

### Summary Balance Sheet as of December 31, 2005: (\$000)

Cash	\$ 11,379	Accounts Payable	\$ 985
Accounts Receivable	8,972	Accrued Expenses	1,394
Prepaid Expenses	<u>12,586</u>	Other Current Liabilities	<u>99</u>
Total Current Assets	32,937	Total Current Liabilities	2,478
Net PP&E	1,780	Unearned Revenue	47,612
Deferred Costs	8,021	Shareholders Equity	27,517
Other Assets	<u>836</u>	Retained Earnings	<u>-34,033</u>
Total Assets	<u>\$43,574</u>	Total Liabilities & Equity	<u>\$43,574</u>

### Comments:

The cash balance is 60% lower than budget due to the one-time special dividend of \$7.8 million coupled with five less contract signings than forecast. The company forecasts cash flow from operations to grow from \$11.1 million in 2005 to \$20.1 million in 2006.

### Cardinal Health Partners Holdings:

Series A Convertible Preferred Stock	3,000,000 shares
Assigned Fair Value (3,000,000 x \$7.70)	\$23,100,000
Investment Cost	\$3,000,000
Cost per Share	\$1.00
Series B Convertible Preferred Stock	729,927 shares
Assigned Fair Value (729,927 x \$7.70)	\$5,620,438
Investment Cost	\$1,000,000
Cost per Share	\$1.37
Series C Convertible Preferred Stock	36,496 shares
Assigned Fair Value (36,496 x \$7.70)	\$281,019
Investment Cost	\$50,000
Cost per Share	\$1.37
% Ownership (Full Dilution)	12.7%
Company Valuation at Cardinal Cost	\$31.8 million
Company Valuation at Assigned Fair Value	\$228.5 million

### Outlook:

We remain very optimistic about the prospects for our investment in VISICU.