

**Working to ensure that the future of healthcare has
two good legs to stand on.**



**Ascension Health Ventures
2008 Progress Report**

Providers and Investors Combine to Advance Healthcare

In 2007, Ascension Health Ventures (AHV) announced its second strategic healthcare venture capital fund, CHV II, L.P. (Fund II). This \$200 million fund includes four Catholic health systems as Limited Partners:

- Ascension Health
- Catholic Health East
- Catholic Health Initiatives
- Catholic Healthcare West

AHV is the venture investing subsidiary of Ascension Health and acts as general partner and manager for two funds with \$325 million under management.

From the Leadership Team

Turmoil in the worldwide capital markets has created many challenges for businesses, and the venture capital industry is not immune to today's economic climate. Companies are facing a complicated and dynamic environment with uncertain equity and debt capital markets, limited exit opportunities and cash reserves, and unpredictable customer demand. The issues with this current recession are systemic, reaching broader and deeper than previous downturns. While the full impact of this global recession is unknown, we believe it creates an exciting and unprecedented period of opportunity for venture capital firms like ours.

An economic downturn can lead to innovation, creativity and resourcefulness. Companies with disruptive technologies or business models and strong leadership can survive and emerge as winners. While other sectors may decline, many in the venture industry believe that demand for healthcare investments are more insulated which, in turn, offers more investment stability and growth potential. Attractive investment prospects exist for venture firms with access to capital. We feel fortunate to have closed our second fund in late 2007 with four prestigious Catholic hospital systems as Limited Partners. Together, this new partnership represents \$34 billion in annual operating revenue and 230 acute care facilities across the continental United States.

AHV is in the unique position to present the healthcare provider and customer perspectives that are often overlooked in the Board rooms of

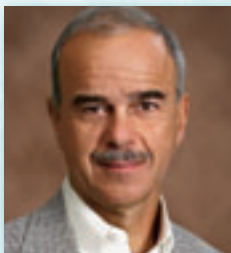
healthcare companies. With input from our Limited Partners, we are able to help companies develop products and services that are most beneficial to patients and caregivers. This differentiated model positions AHV as a fully integrated strategic investment partner. Continued investment in healthcare is fundamental to generating better clinical outcomes and delivering care in the most efficient, cost-effective manner. This supports our notion that venture capital gives legs to innovation, that innovative companies depend on venture capital and that the future of healthcare depends on innovation.

Our strategy is to seek investment opportunities that not only deliver a financial return, but also give our Limited Partners access to emerging and innovative healthcare products and services. The synergy generated between AHV, Limited Partners, portfolio companies and investment syndicate partners is greater than the sum of its parts. We believe something more powerful than financial or strategic benefits is evolving—a new type of collaboration between healthcare providers and the companies that provide products and services to them. We hope that our second fund will further establish the non-profit provider presence in the private equity market—giving our portfolio companies, our Limited Partners, our investment partners and the future of healthcare two good legs to stand on.



A handwritten signature in black ink that reads "F. Gary Valdez".

F. Gary Valdez
Chairman



A handwritten signature in black ink that reads "Anthony J. Speranzo".

Anthony J. Speranzo
Ascension Health
Senior Vice President &
Chief Financial Officer



A handwritten signature in black ink that reads "Matthew I. Hermann".

Matthew I. Hermann
Managing Director

For more information on Ascension Health Ventures and its portfolio companies, visit www.ascensionhealthventures.org

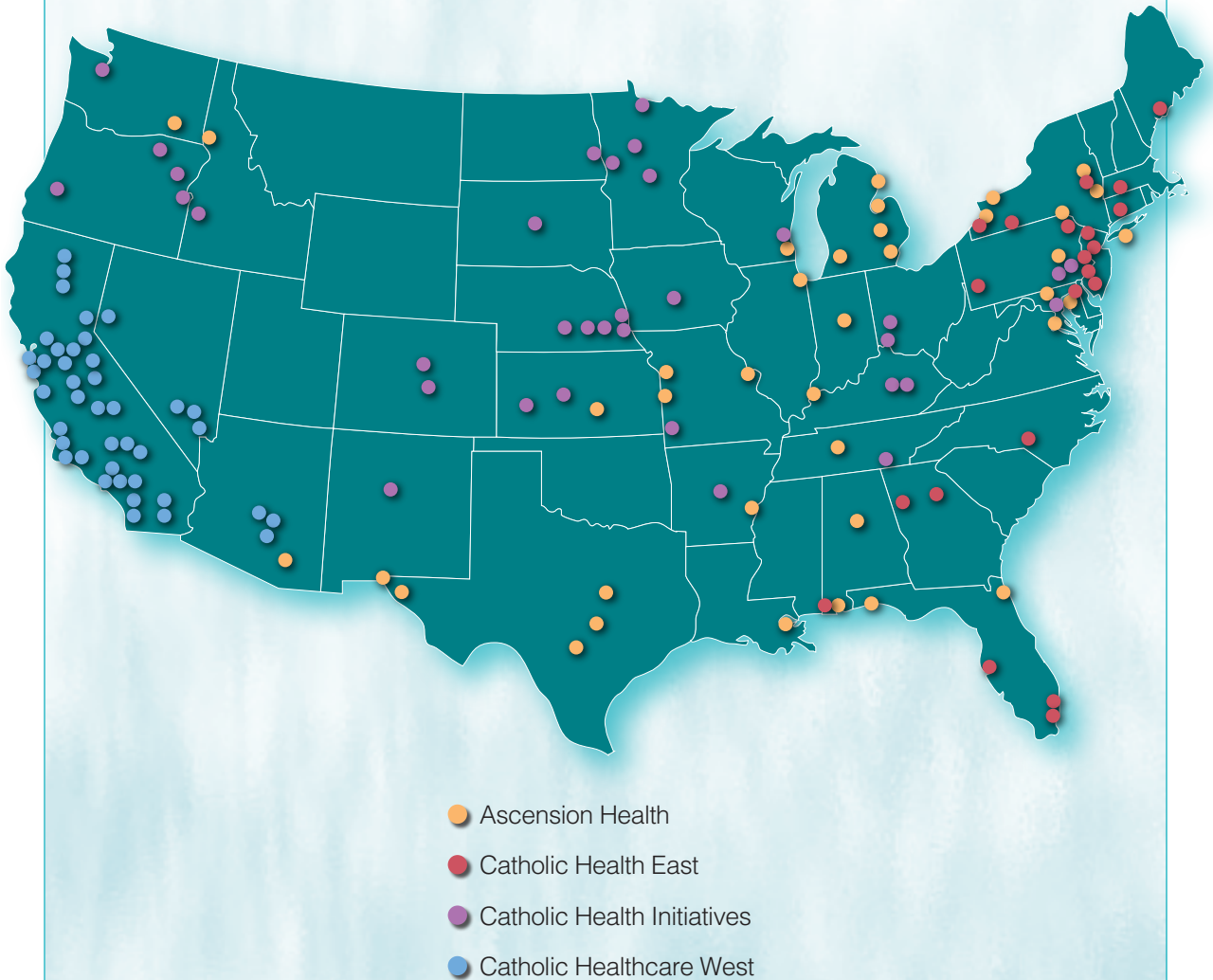
Limited Partner Presence

Approximately 230 acute care hospitals and 175 other healthcare providers

279,000 associates in 38 states and the District of Columbia

\$47 billion in assets and \$34 billion in operating revenues

Provided more than \$3.1 billion in community benefit and charity care annually



Investment Strategy

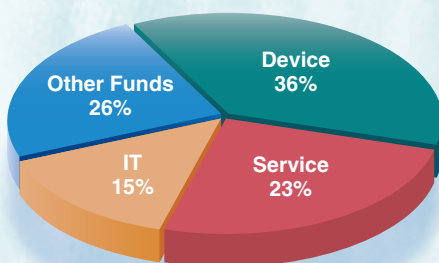
To earn investment returns by building a diverse portfolio of healthcare companies across multiple sectors and stages with the potential to transform the industry as a whole and significantly enhance the quality of patient care.

Investment precedence is given to segments of the marketplace identified as priorities for our Limited Partners. Additionally, a portion of each fund is committed to other healthcare venture funds, providing additional diversity as well as collaborative opportunities.

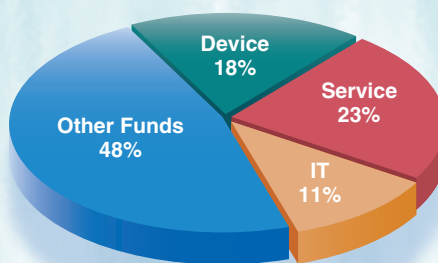
Portfolio by Sector

Based on direct investments and commitments to other venture funds as of December 31, 2008

Fund I



Fund II



Criteria for Investment

- Governance and/or management with demonstrated experience, depth and capability to achieve success
- Sustainable differentiating competitive advantage
- Sensible business plan with potential for a 3x or greater investment return
- Product or service with compelling benefit sufficient to influence acceptance by the broader market
- Expansion or later stage of development and within three to five years of a potential liquidating event

Active Portfolio Companies



Accretive Health delivers end-to-end revenue cycle management services to hospital customers. (www.accretivehealth.com)



Aethon manufactures the Tug, a robotic materials transport device. (www.aethon.com)



Bioimagene provides software applications for digital pathology in clinical and research markets. (www.bioimagene.com)



BodyMedia provides solutions that monitor health and lifestyle information for individuals, healthcare practitioners and the broader healthcare industry. (www.bodymedia.com)



CB Health Ventures is a healthcare venture capital fund. (www.health-ventures.com)



CHF Solutions manufactures a device to remove excess fluid from patients suffering from fluid overload. (www.chfsolutions.com)



EKOS Corporation is the world leader in providing ultrasound-assisted, fluid infusion catheters for treating blood clots. (www.ekoscorp.com)



Essex Woodlands is a healthcare venture capital fund. (www.essexwoodlands.com)



Excel Medical Ventures is a healthcare venture capital fund. (www.emven.com)



Haven Behavioral Healthcare provides quality behavioral healthcare, for not only patients, but families and communities as well. (www.havenbehavioral.com)



Hemosphere is an early stage medical device developer of a vascular access technology for hemodialysis. (www.hemosphere.net)



Impulse Monitoring is an intra-operative neurophysiologic monitoring (IONM) service company that provides quality-monitoring services in a cost-effective manner. (www.impulsemonitoring.com)



Interventional Spine designs, develops and markets patented implantable devices for the spine that can be deployed via percutaneous techniques. (www.i-spineinc.com)

Past Portfolio Companies



Confluent Surgical is a leading innovator in the field of surgical sealants and adhesion barriers for use in neurosurgery, gynecologic and general surgery. (www.confluentsurgical.com)
Confluent Surgical was acquired by Covidien Ltd. (NYSE:COV)



Emageon (NASDAQ: EMAG) produces visualization and image management tools that allow healthcare professionals to manage, access and visualize multi-specialty medical content. (www.emageon.com)



SERVcys, a provider of custom pallet janitorial supplies, is no longer active.



Isto Technologies is an ortho-biologic company focused on developing differentiated products for sports medicine and spinal therapy. (www.istotech.com)



Millennium Pharmacy Systems provides a total pharmacy solution for long-term providers. (www.mpsrx.com)



Novasys Medical has developed a non-surgical treatment for female stress urinary incontinence. (www.novasys.com)



NeuroLutions develops brain computer interface technology that will provide a highly effective, long term, minimally invasive solution to functional restoration of motor-impaired patients.



Optiscan is the developer of a glucose monitoring device to provide continuous measurements of glucose levels in ICU patients. (www.farir.com)



Radianse provides location-enabled workflow solutions to improve patient throughput and resource management utilizing radio frequency identification. (www.radianse.com)



Sanderling Venture Partners is a healthcare venture capital fund. (www.sanderling.com)



SeQual Technologies is a leading provider of innovative oxygen concentrators. (www.sequal.com)



SterilMed specializes in medical device reprocessing and small equipment & instrument repair for hospitals and healthcare facilities. (www.sterilmed.com)



SV Life Sciences is a healthcare venture capital fund. (www.svlsa.com)



TomoTherapy (NASDAQ: TOMO) provides a revolutionary, radiation treatment system that delivers conformal radiation therapy to cancer patients while limiting damage to surrounding healthy tissues. (www.tomotherapy.com)



United Surgical Partners International operates surgical facilities in partnership with not-for-profit hospitals in the United States and the United Kingdom. (www.unitedsurgical.com)



ZONARE Medical Systems manufactures and sells a high-performance convertible ultrasound solution. (www.zonare.com)



Stereotaxis (NASDAQ: STXS) has developed an innovative, computer-assisted catheter device control and remote navigation technology that is improving efficiency and enabling new therapeutic solutions. (www.stereotaxis.com)



TriMedx provides clinical engineering services to healthcare providers. TriMedx is now a wholly owned subsidiary of Ascension Health. (www.trimedx.com)

Board of Managers

The Board of Managers includes a cross-section of Limited Partner representatives and external members with venture investing, investment banking, merchant banking, healthcare consulting and entrepreneurial backgrounds.

F. Gary Valdez, Chair

*President, Focus Strategies, LLC,
Austin, TX*

Alan Armer, Ph.D.

*Vice President, Research and
Development, Catholic Health Initiatives*

Sr. Bernice Coreil, DC

*Senior Executive Advisor to the
President, Ascension Health*

Charles Francis

*Senior Vice President
and Chief Strategy Officer,
Catholic Healthcare West*

Thomas Garthwaite, M.D.

*Chief Medical Officer,
Catholic Health East*

Bruce Hochstadt, M.D.

Principal, Mercer, Chicago, IL

Susan Matlock

*President and CEO, Innovation Depot,
Birmingham, AL*

William Mills

Chair, Compensation Committee
*Independent Venture Capitalist,
Boston, MA*

R. Christopher Regan

*Managing Director,
The Chartis Group, LLC,
Mendham, NJ*

Marc Sarni

Chair, Valuation Committee

*Managing Director, New Holdings, LLC,
St. Louis, MO*

Anthony Speranzo

*Senior Vice President and
Chief Financial Officer,
Ascension Health*

As the active investment stage of Fund I is now complete, a separate Board of Managers composed of internal Ascension Health executives has been appointed to govern this fund through liquidation.

Sr. Bernice Coreil, DC

*Senior Executive Advisor to the
President, Ascension Health*

John Doyle

*General Manager,
Transformational Development and
Chief Strategy Officer,
Ascension Health*

Anthony Speranzo

*Senior Vice President and
Chief Financial Officer,
Ascension Health*

Ascension Health Ventures Professional Team

Individuals with complementary skills have been recruited to form a solid, dynamic investment team. AHV's success is spurred by the breadth and depth of healthcare, financial and other related experiences of its professionals.



Chuck Cohn, Todd Miltenberger, Matt Hermann, Tara Butler, M.D., Ryan Schuler, Jamie Wehrung, Jeff Stolte, Walter Lin, M.D.

Matt Hermann

Managing Director
mhermann@ascensionhealth.org

Tara Butler, M.D.

Investment Director
tbutler@ascensionhealth.org

Ryan Schuler

Investment Director
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Walter Lin, M.D.

Investment Manager
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Jeff Stolte

Investment Associate
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Chuck Cohn

Investment Analyst
[ccohn@ascensionhealth.org](mailto:cjohn@ascensionhealth.org)

Todd Miltenberger

Investment Analyst
tmiltenberger@ascensionhealth.org

Jamie Wehrung

Finance and Administrative Director
jwehrung@ascensionhealth.org

Our Partners



“As a large Catholic health ministry, we feel a strong responsibility to do everything we can to strengthen Catholic healthcare in the U.S. Developing Fund II with other Catholic healthcare organizations supports our ability to perform and transform. In addition to financial returns, these funds push the limits beyond current technologies and treatments to explore opportunities to truly transform care delivery in the future.”

Anthony R. Tersigni, EdD, FACHE
President and CEO
Ascension Health



“AHV provides a Catholic health ministry like CHE the unique opportunity to collaborate with others to stimulate clinical innovations and improvements in quality and patient safety. CHE expects this commitment to CHV will help us as we strive to deliver on our 2017 Preferred Delivery model.”

Robert Stanek
President and CEO
Catholic Health East



“This investment fund will bring together four non-profit Catholic health systems and create the unique opportunity to collaborate with a network of hospitals in identifying and evaluating investment opportunities that can deliver significant clinical benefits to patients. It’s a model of venture-backed innovation that offers great potential for enhancing quality and the way healthcare is delivered.”

Kevin Lofton
President and CEO
Catholic Health Initiatives



A spirit of innovation, a legacy of care.



“AHV is committed to investing in medical innovation and technology—and specifically in innovations that will advance our ability to deliver the highest quality medical care to all in need. The funds generated by the success of these investments will be reinvested into new ventures. This perpetual cycle will advance medical care, improving outcomes and the patient experience today and into the future.”

Lloyd Dean
President and CEO
Catholic Healthcare West





“From the very beginning, our relationship with AHV has been a partnership. Our missions are aligned: improve patient care through innovation from the patient’s perspective. TomoTherapy is an innovative company seeking to provide the best radiation treatment for all patients, rich and poor alike. The premise of founding this company was not to become an international success, but to improve cancer treatment, one patient at a time. Providers and investors combined to support both Ascension Health’s and TomoTherapy’s mission and vision for the future of healthcare.”

*Paul Reckwerdt, Co-founder and Past President
TomoTherapy, Inc. (NASDAQ: TOMO)*



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