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August 14, 2014

Board of Directors, c/o
Volcano Corporation
3721 Valley Centre Drive
Suite 500, San Diego, CA 92130
Attention: Secretary

Dear Sirs:

Accounts and funds managed by Investment Partners Asset Management and its affiliates own shares of Volcano Corporation. Per the instructions in your most current proxy statement, I am taking the opportunity to communicate with the Board of Volcano Corporation ("Volcano", or the "Company").

By now, no doubt, you are aware of the market's reaction to your second quarter 2014 earnings release, 2014 guidance, and recent investor presentations. I'll be brief, and to the point – the board should actively pursue a sale of the company at this time.

Volcano appears to be running hard, but running in place.

While Volcano has a number of phenomenal products and an interesting intellectual property portfolio, based on recent representations from management to the investment community, it seems that it will take a number of years and continued investment for those attributes to translate into meaningful revenue growth and profitability. This is, of course, after the company has *already* incurred a large increase in costs. SG&A expenses, for example, have increased almost 25% (from approximately $147 million to roughly $183 million) over the past 3 fiscal years. Similarly, R&D expenses have increased 30% (from $53 million to nearly $70 million). One would anticipate that such increases would've translated into substantial revenue growth for the Company by now, however sales over the same period have grown only 15% ($344 million to $394 million) and are expected to be flat for 2014. Furthermore, all of this activity hasn't added anything to Volcano's bottom line. The Company had an operating loss through the first 6 months of 2014 of $1.2 million, and experienced a net loss of $10.6 million (after a $4.2 million tax benefit.) Management's recently updated, reduced guidance underscores this point.

Strong balance sheet – but for how long?

The Company currently enjoys a solid balance sheet (with approximately $206 million in cash and marketable securities versus $411 million in debt). I am concerned, however, that a number of factors (particularly the specter of increased competition from large medical device companies) could serve to cut into Volcano's profit margins and cause the Company to bleed cash. Under the circumstances, it seems that it would be prudent to keep the balance sheet as liquid as possible and avoid making any large acquisitions at this time.

Acquisition Most Reasonable Catalyst for Value Creation

With a market capitalization of approximately $650 million, and an enterprise value of roughly $850 million at the moment, the market appears to be valuing the company for what it currently is: as a single-digit growth entity with little or no net income to share with investors. However, according to management's guidance, Volcano is anticipated to generate $400 million in sales and an estimated $250 million in gross profit in 2014. If a potential acquirer could eliminate many of Volanco's duplicative SG&A and R&D costs, an acquisition of Volcano could be immediately accretive to another organization. On that basis, it would seem reasonable for the Company to command a multiple of its gross profit (as those gross profits might largely represent net earnings for another company). Assuming a competitor, or strategic acquirer were to pay 5-times gross profit for Volcano, that would result in a $1.25 billion valuation, or approximately $24.50 per share (approximately 100% higher than the current stock price.) While it is difficult to know if such an offer for Volcano could actually emerge, you won't know until you try.

Bottom Line

I am sure that I don't need to tell you that the board is obligated to represent the shareholders' best interests. To the degree the possibility of a substantial increase in value exists for the shareholders through a buy-out, I believe the board must pursue such a strategy while the Company is financially sound and is able to negotiate from strength. It seems from management's recent comments and slides (during the presentation at the Canaccord Genuity Growth conference August 13, 2014) that the Company considers itself to be an attractive acquisition candidate. While such comments are heartening, for the reasons I've cited above, I believe it is time for Volcano to move beyond mere rhetoric and formally engage an investment banker to explore strategic alternatives.

If you have any questions regarding this letter, please contact me.

Regards,

Gregg Abella, Co-principal

cc. Stephen Grygiel, esq. - Silverman Thompson Slutkin White

John M. Baker, esq. – Stradley Ronon