

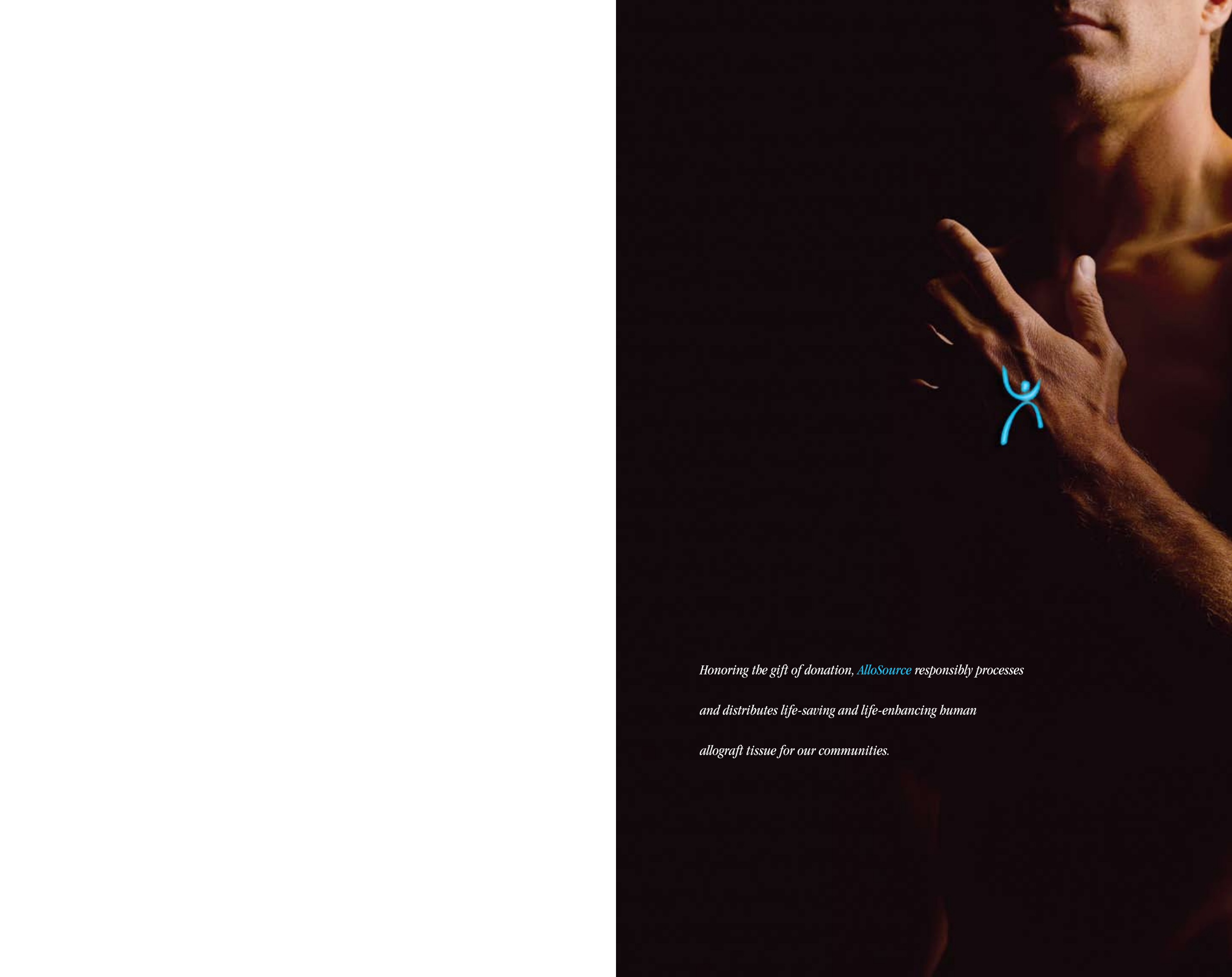


Delivering

Powerful

Possibilities™

AlloSource
2007 Report to the Community



*Honoring the gift of donation, [AlloSource](#) responsibly processes
and distributes life-saving and life-enhancing human
allograft tissue for our communities.*

About the Cover

The small blue "Alloman" logomark is strategically placed on the image to indicate where an allograft has restored or renewed function.

It symbolizes one of the more than 200 bone, soft tissue, skin and fresh cartilage allografts provided by AlloSource. Delivering Powerful Possibilities™ is our new tagline, which describes what AlloSource provides to patients, the medical community and donor families.



Table of Contents

A Message from the CEO	4
Medical Director Observations	7
2007 Overview	8
Investing in Possibility Every Step of the Way	10
Investing in Our Network	12
Investing in Our Future	14
Investing in Our People	16
Investing in Our Brand	17
Key Personnel	18
Board of Directors, Medical Advisory Board & Recovery Organizations	19

Delivering Powerful Possibilities. These are inspiring words that define what AlloSource is and does. Our ability to deliver powerful possibilities to the medical community, patients and donor families begins with our mission: **Honoring the gift of donation, AlloSource responsibly processes and distributes life-saving and life-enhancing human allograft tissue for our communities.** Our mission is not a poster on the wall or a slogan on a coffee mug. It is genuinely embedded in our culture and represented in everything we do; from honoring a donor's wish to help someone in need, to handling each allograft with meticulous care to assure the best possible clinical outcome for patients. We discuss, debate and live our mission every day.

This marks the beginning of my eighth year with AlloSource and I continue to be energized by the innovation, leadership and commitment of our team to deliver powerful possibilities to all of our stakeholders. The dedicated associates at AlloSource, our skilled Organ Procurement Organization (OPO) partners and the innovative healthcare professionals in the medical community all provide a level of expertise that is unparalleled in the industry. They support us and consistently push us to do better. AlloSource has responded: we have grown into one of the largest and most respected tissue networks in the country.

In our 2007 Report to the Community you will learn about the exciting new partnerships we have formed with leaders in the biologics and medical device industries. Working together with our surgeon champions, we are extending the reach of donor tissue and offering more treatment options to more patients. You will also learn about our leadership in the delivery of allograft skin for burn care treatment along with our collaborative approach with OPO agencies to provide new possibilities through the gift of tissue donation. None of this would be possible without the generosity of each tissue donor and the strength of their family. They look beyond their own grief to envision the possibilities that lie beyond. I would like to acknowledge their important role at AlloSource and personally thank them for their generosity.

In 2007, AlloSource delivered new and powerful possibilities to our communities. We continue to distribute more tissue than ever before and our efforts are helping to define the future possibilities for tissue transplantation. I am honored to present our achievements in 2007 and look forward to helping to discover more powerful solutions in the years to come.

Sincerely,
Thomas A. Cycyota



President & Chief Executive Officer
AlloSource

A Message from **Thomas A. Cycyota**
President & CEO of AlloSource





Observations from **Ross Wilkins, M.D.**
AlloSource Senior Medical Director

Since its founding more than 20 years ago as the Mile High Transplant Bank, AlloSource has grown from processing tissue for simple bone grafts to designing and distributing a bone growth product containing live stem cells. To say times have changed would be a gross understatement.

The specialized bone products we provide for neurosurgical and orthopedic spine procedures have helped to revolutionize the field of spinal surgery and fusion, and have brought comfort to thousands of patients. Our development of ligament replacement tissues has helped many regain mobility. We're now the world leader in fresh articular cartilage for joint restoration, allowing many to regain active lives following trauma. And we are the nation's largest provider of allograft skin for burn victims. We have helped save hundreds of lives and have enhanced thousands more.

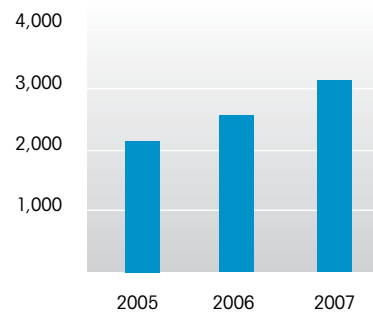
At AlloSource, we know what's possible. We also know that with focused research and development into new applications for donor tissue, we can offer more possibilities for wound healing, joint restoration and skeletal reconstruction. As always, these efforts will be based on sound surgical principles, a commitment to safety and the prudent use of donor tissue.

The future provides unlimited possibilities for tissue transplantation and we are just getting started. We look forward to continuing to serve our local communities and the patients who make our work meaningful.

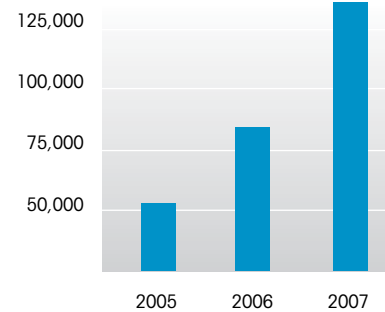
2007 A Year of Realizing Possibilities

Delivering Powerful Results. AlloSource measures success against delivering on our mission and by all measures, 2007 was a very successful year. We saved and enhanced the lives of more people in more communities than ever before. We processed more than 3,000 donors — a 20% increase from last year — which helped us provide 33% more allografts to patients in our local communities.

Number of Donors Processed



Number of Allografts Distributed



Other 2007 AlloSource highlights include:

- Increased revenue 27%
- Distributed 40% of excess revenue to our OPO corporate members to fund donation education programs in their local communities
- Became the nation's largest provider of allograft skin for burn care and closed the gap that existed in volume and availability of allograft skin needed for burn treatment
- Welcomed Iowa Donor Network as a new corporate member
- Hired close to 125 new employees
- Made a significant donation to The Denver Children's Hospital Burn Center to support camps for young burn survivors and an education program for kids at risk for fire setting behavior
- Purchased LABS Inc., the leading testing laboratory for the organ and tissue community, from Bonfils Blood Centers of Colorado

Expanding Our Business

Joint Restoration. Our internationally recognized Joint Restoration Program provides orthopedic surgeons with high-demand sports medicine allografts used in joint repair. Through this dedicated effort, AlloSource has grown into the largest provider of fresh allograft tissue in the world. In 2007, we:

- Processed 30% more donors by adding nine new recovery sites
- Created a new allograft from previously unusable tissue, further maximizing every donor gift
- Increased the number of fresh allografts released for transplant by 33%



Osteobiologics. In 2007, AlloSource completed three agreements to expand our osteobiologics offerings, enhancing our leadership position in this growing field.

IsoTis, Inc. AlloSource obtained an exclusive North American license to manufacture and distribute AlloFuse® DBM paste, putty and gel.

Keratec Limited of New Zealand.

AlloSource obtained an exclusive license and is developing a next-generation DBM putty, using Keratec's proprietary Keragraff™ technology.

Osiris Therapeutics. AlloSource obtained rights to manufacture OsteoCel™, a bone growth product containing viable stem cells. In addition, we have expanded rights to distribute OsteoCel™ in the United States and Canada.

AlloSource is now the only US tissue network to offer a full range of bone growth substitutes.

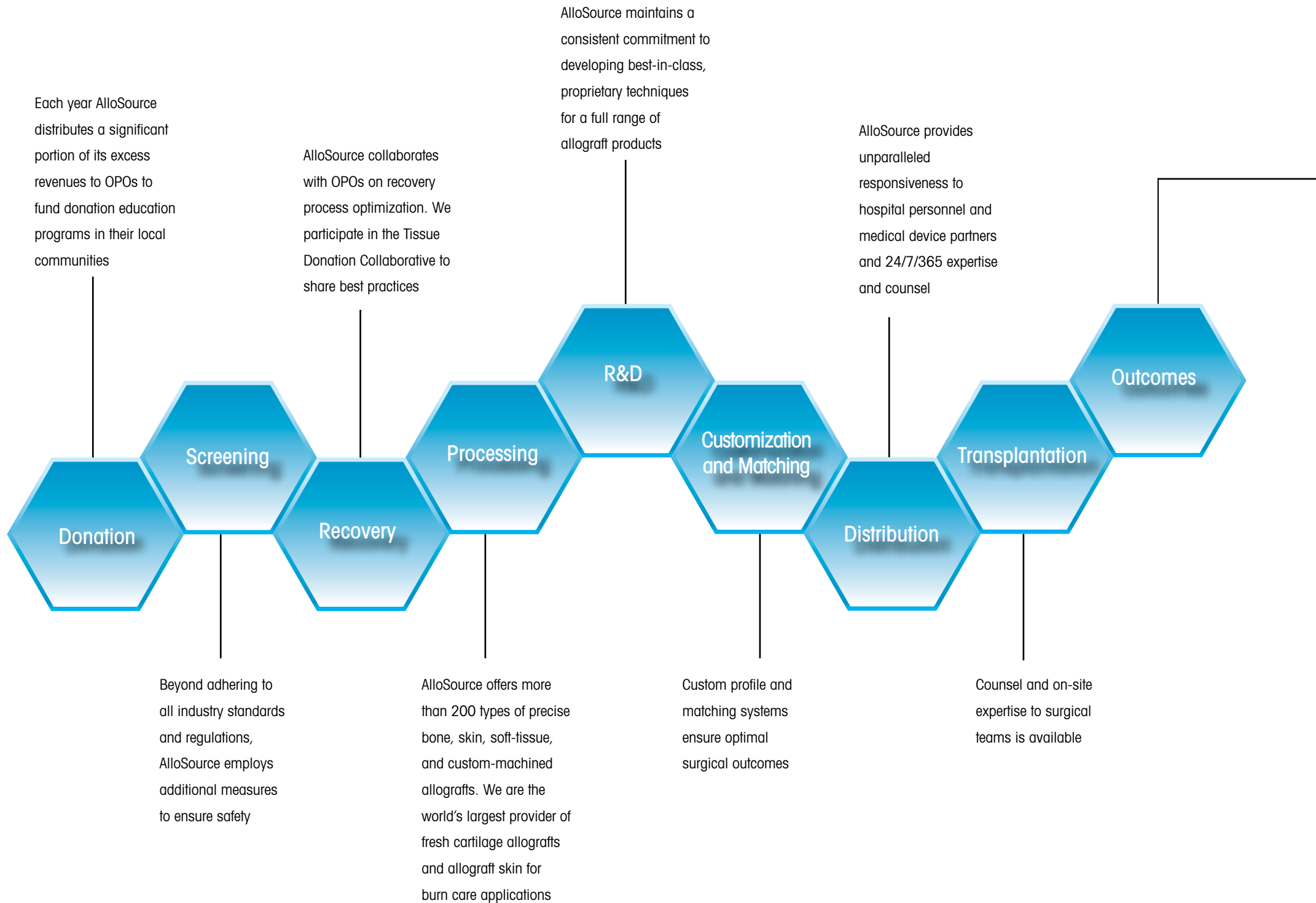
Machined Allografts. Our machined allografts team has expanded and delivers more top-quality, custom allografts than ever before. All are now produced at the Center of Excellence for Machined Allografts in Salt Lake City, which underwent a major facility upgrade in 2007.

Skin. AlloSource has grown into the world's largest provider of allograft skin for burn patients through a stated commitment to do what it takes to deliver this life-saving tissue. Today, we serve as many as 50% of traumatic burn victims in the US and supply burn centers nationwide. We are one of the few US tissue networks providing fresh allograft skin, preferred by many surgeons to treat their most critically burned patients.

After significant investment, the Center of Excellence for Skin Allografts in Cincinnati now handles all skin processing.

Investing in Possibility Every Step of The Way

AlloSource invests for the long-term, consistently delivers in the short-term, and, gives back to the communities we serve. This is the AlloSource difference.



AlloSource responds to help California fire victims. As wild fires blazed in California in October 2007, AlloSource received an urgent call from the University of California San Diego (UCSD). They initially received 12 critically burned patients with burns covering 80-90% of their bodies, and were expecting many more. UCSD needed a large amount of allograft skin — fast. They knew that AlloSource would deliver.

Being the world's largest provider of allograft skin, we were able to immediately send 50,000cm² of skin allografts to help protect and heal wounds, and help keep their most critically burned patients alive. They anticipated needing six times that amount over the next few months.

Twenty-four more patients — with burns over 30-40% of their bodies — were later admitted and AlloSource provided allograft skin for these patients as well. Long after the fires have abated, AlloSource continues to provide allograft skin to UCSD's patients as they embark on their long course of recovery. This was possible by 130 people choosing to make the gift of donation.

To read more in-depth stories of these and other AlloSource recipients, visit www.allosource.org

Expanding Possibilities Through **Collaboration**

AlloSource's foundation of success is built on collaboration and partnership. From OPO agencies that help us honor the gift of donation to medical device companies whose technology allows us to deliver innovative treatment options. From surgeons and other health care professionals whose skill assures positive outcomes in relieving pain, restoring mobility and saving lives to our employees who are empowered to help us change for the better. And finally, the donor families and recipients who connect the process end-to-end.

Giving back to those who so generously give to us brings life to our work. Last year, our collaborative efforts enabled us to redistribute 40% of our excess revenues to our OPO corporate members. We also provided thousands of dollars in additional gifts and grants to support efforts to increase organ and tissue donation in our local communities.

Continual investment in our network directly impacts our ability to fulfill our mission and allows us to face challenges and embrace opportunities in the future.



New Corporate Member.

Iowa Donor Network (IDN) joined AlloSource as our 5th corporate member in 2007. IDN provides access to another source of donors and is giving the people of Iowa better access to life-saving and life-enhancing allografts.

Sharing Best Practices.

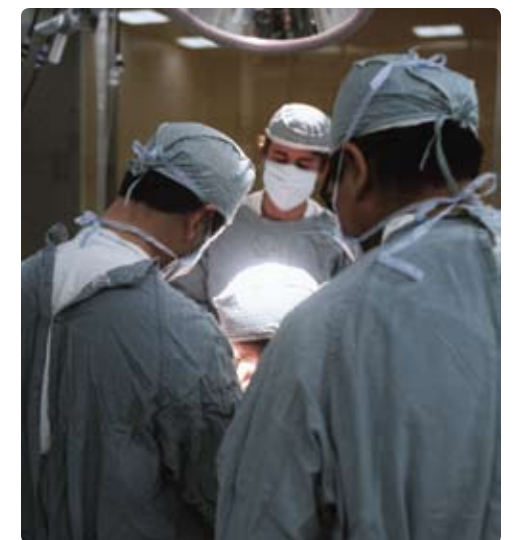
A key sponsor of the Association of Organ Procurement Organizations (AOPO) Tissue Donation Collaborative, AlloSource participates in a forum to share best practices.

Tools for Improved Learning.

AlloSource invested in Knowledge Factor, a Confidence-Based Learning™ program embraced by the organ procurement community. It provides tools to educate people in knowledge intensive industries and analyzes learning success.

Joint Restoration Foundation.

AlloSource partnered with Community Tissue Services (CTS) to form a new entity, the Joint Restoration Foundation (JRF), to give surgeons access to high-quality, high-demand fresh allografts to restore mobility in patients. In 2007, JRF became fully operational increasing the amount of fresh allografts available to surgeons and hospitals across the country.



Delivering a Future of On-Going Possibilities

AlloSource has experienced tremendous growth over the past five years and we expect more significant growth in the years to come. Our efforts in all areas mean we are well positioned for the future. Our culture of corporate responsibility, support for our local communities and leadership position in the industry will always drive the decisions we make as a business.

Our future growth will come from investment in technology, vertical integration and new product development that match our values and mission. We laid the foundation for this transformation in 2007 with significant investment in key areas.

LABS Inc. With the purchase of LABS Inc. from Bonfils Blood Centers of Colorado, AlloSource added an exciting new dimension to our business. LABS Inc. provides donor eligibility testing for eye, reproductive, stem cell, organ and tissue transplant organizations nationwide.

Facilities. The Cincinnati location underwent a facility upgrade, adding new clean room capacity and better facilities for processing and distribution.

The Salt Lake City facility was improved to best meet the needs of the machined allografts program.

Our headquarters in Centennial added new clean room capacity. In addition, the new South Revere Street location, located a mile from headquarters, has been opened to house freezers, Medical Records, Customer Service and the entire released allograft inventory.



Corporate Responsibility. AlloSource exemplifies a culture of corporate responsibility in all of our operations. We provide best-in-class benefits and offerings for our people and support our local communities and partners in significant ways. AlloSource participates in dozens of community initiatives a year and has a matching gift program to support the causes close to the hearts of the people closest to us. No decision is made without holding it up against our company mission. Instead of holding us back, we credit this as the key driver of our sustainable and responsible growth.

Powerful Possibilities for our People

People are the power behind any successful organization and AlloSource is fortunate to draw its energy from a diverse and talented team. AlloSource is a place where people are empowered to create and pursue a challenging and rewarding career path that supports our mission and the personal values of our employees.

Providing employees with access to tools and resources to improve their health and wellness is an important goal at AlloSource. We offer more than 20 Wellness Programs annually to support this commitment.

In 2007, AlloSource received three awards highlighting the contributions of our staff and Board of Directors:

Colorado Society for Human
Resources Management (SHRM)
One of the Best Companies to
Work for in Colorado Award

Colorado BioScience Association
Company of the Year Award

Denver Business Journal
Champions in Healthcare Recognitions:

Ross Wilkins, M.D., AlloSource Senior
Medical Director, Lifetime Champion

Susan Dunn, Donor Alliance CEO and
Vice Chair of the AlloSource Board of Directors,
Finalist, Nursing

AlloSource, Finalist, Healthcare Innovator

AlloSource added close to 125 new employees
in 2007 with plans to add more in 2008.

Forty AlloSource employees became Certified Tissue Banking
Specialists (CTBS), an important accreditation awarded by
the American Association of Tissue Banks (AATB).
This brings the total number of certified employees to 106.

Powerful Possibilities for our Brand

A major initiative in 2007 was increasing communication to our external audiences. Through eye-catching advertisements and thought-provoking advertorials we spoke directly to the surgical community and medical device and biologics companies about the AlloSource difference.



We embarked upon a complete web site overhaul to provide tailored information for the diverse users who visit AlloSource.org: medical professionals, patients and their families, potential donors and donor families and our recovery partners.



We expanded a media relations campaign in our local communities to increase awareness about tissue donation and AlloSource's commitment to being a good corporate citizen.



The People Behind the Possibilities

Key Personnel

Thomas A. Cycyota
President and Chief Executive Officer

J. Kevin Cmunt
Executive Vice President

Olivia Thompson
Chief Financial Officer

Simon Bogdansky, Ph.D.
Vice President, Research & Development

Robert Brook
Vice President, Operations

James Czepiel
Vice President, Business Development

Daniel Maye
Vice President, Donor Services

Valerie Reymann
Vice President, Human Resources

Donna Sinn
Vice President, Regulatory Affairs
and Quality Assurance

Ross Wilkins, M.D.
Senior Medical Director and Chairman
of the Medical Advisory Board

Board of Directors

Mark Simon
Chief Executive Officer,
Upstate New York Transplant Services
(Chairman of the Board)

Susan Dunn
Chief Executive Officer, Donor Alliance
(Vice Chair of the Board)

Mary Rosenberg
Vice President, Administration, Gift of
Hope Organ & Tissue Donor Network
(Secretary/Treasurer of the Board)

Jarold Anderson
Chief Executive Officer, Gift of Hope
Organ & Tissue Donor Network

Ann Bartlett
Chief Financial Officer, Donor Alliance

David Carlson
President, Sentz-Carlson Agency, Inc.,
Upstate New York
Transplant Services Board Member

Suzanne Conrad
Chief Executive Officer,
Iowa Donor Network

Thomas A. Cycyota
President and Chief Executive Officer,
AlloSource

The Rev. Dr. Richard P. Ellerbrake
Chairman of the Board,
Mid-America Transplant Services

Thomas Evans
Vice President/Controller,
HCA Continental Division

Tipton Ford
Director of Business Affairs, University
of Cincinnati, Department of Surgery

Dean Kappel
Chief Executive Officer,
Mid-America Transplant Services

Mary Lou March
Chief Financial Officer,
Mid-America Transplant Services

Kenyada Meadows
Internal Audit Manager, Qwest
Communications International, Inc.

Anne-marie Zuccarelli,
Private Consultant,
Donor Alliance Board Member

Medical Advisory Board

Ross Wilkins, M.D.
Senior Medical Director and
Chairman of the Medical
Advisory Board

Michael Bauer, M.D.
Denver, CO

William Bugbee, M.D.
La Jolla, CA

Brian Cole, M.D.
Chicago, IL

Steven Gitelis, M.D.
Chicago, IL

Keith Hruska, M.D.
St. Louis, MO

Richard Kagan, M.D.
Cincinnati, OH

Brian McGrath, M.D.
Buffalo, NY

Stephen Morris, M.D.
Salt Lake City, UT

Hannis Thompson, M.D.
Denver, CO

Recovery Organizations

Donor Alliance
Denver, CO

**Gift of Hope Organ and
Tissue Donor Network**
Chicago, IL

Iowa Donor Network
North Liberty, IA

Mid-America Transplant Services
St. Louis, MO

Upstate New York Transplant Services
Buffalo, NY

DCI Donor Services
Nashville, TN

Donor Network of Arizona
Phoenix, AZ

Intermountain Donor Services
Salt Lake City, UT

LifeCenter Organ Donor Network
Cincinnati, OH

LifeLink
Atlanta, GA

**Lifesharing Community Organ &
Tissue Donation**
San Diego, CA

**Washington Regional
Transplant Community**
Annandale, VA



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