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Delivering Powerful Possibilities™



Passing It On



AlloSource 2008 Report to the Community



*When the full potential of a donor's gift is realized,
hopes and dreams are passed along to a new generation of people.
This year AlloSource celebrates the powerful nature of all of life's gifts,
large and small, by asking, "What gifts can you share with others in your life?"*

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Dear Friends,

The AlloSource mission has been a part of my life for the past eight years: *AlloSource responsibly processes and distributes human allograft tissue for our communities*. It is simple and powerful and guides all of us at AlloSource in our daily activities. Our mission has been instrumental in our responsible growth over the last several years. This year we decided to explore what lies beneath the mission.

Every day, you make decisions based upon your own personal set of values. These values guide you toward achieving your goals in life. They help you choose your career, your friends, your significant other, your hobbies, and so much more. Your values are revealed by what you say you believe in – and by what your actions show.

Organizations like AlloSource have values or guiding principles. In a similar way, these principles keep us pointed in the direction of our mission and serve as a beacon for everyone who becomes a part of the organization.

In the Report to the Community, I would like to share with you the Guiding Principles that are inherent in the AlloSource organization. Many of you will recognize them because they are the shared principles that led you to become a part of the AlloSource team or gave us the privilege of serving your patients and medical professionals. They are the glue that holds us together in our quest to honor our communities and their donors' gifts.

The subsequent pages are filled with the amazing accomplishments AlloSource and its partners have achieved this past year. As we took stock of our success in the patients we served, medical professionals we supported and communities we engaged, one theme rang true: 2008 was a year of passing along gifts, both large and small. We encourage you to read this year's report and ponder the gifts you have to share with others in your life to encourage stronger communities.

I want to thank the AlloSource employees, the Organ Procurement Organization partners and the dedicated medical professionals who utilize donated gifts for all that you do each day to save and enhance lives. Together, we are truly delivering powerful possibilities by maximizing the potential of each and every donor gift.

Best Regards,

A handwritten signature in black ink that reads "Tom Cychota".

Thomas Cychota

President and Chief Executive Officer

Our Promise

We deliver powerful possibilities

by maximizing the potential
of human tissue donations.



We believe in responsibility. We consider it our duty to maximize the possibilities for each and every gift. When we live up to this obligation, we fulfill our promise and honor the wishes of human tissue donors and their families.

Our Guiding Principles

We believe in longevity. The allografts we process are transplanted into recipients forever and, for this reason, we must be continually diligent and attentive in our individual tasks and never waver in our dedication to safety and quality.

We believe in our communities. Because our donor communities and recovery partners further the cause of organ and tissue donation they are entitled to preferential treatment and should share in our success. By supporting and giving back to our recovery partners we help strengthen the communities that they serve.

We believe in showing gratitude. We are grateful for the life-saving and life-enhancing opportunities presented by the gift of donation and for the medical professionals who play an essential role in honoring those gifts with positive patient outcomes. We hold the medical professionals with whom we work in the highest regard and are committed to providing them with responsive, courteous, and unparalleled customer service and tissue allograft availability.

We believe in our people. When we support and empower each other, we drive the success of our organization and promote the fulfillment of our mission. For this reason, every individual in our organization has the right to a rewarding career path, professional improvement through training and coaching, a fair wage, and a healthy balance between work and family.

Finally, we believe in growth and possibility. We are in awe of the discoveries that allow us to fully utilize donated tissue today. The thought of what may be possible in the future motivates us to continue to grow and change. By continually perfecting and pursuing innovations in our products and processes we expand our capability to deliver life-saving and life-enhancing allografts to more individuals in need.



We believe in responsibility. We consider it our duty to maximize the possibilities for each and every gift. When we live up to this obligation, we fulfill our promise and honor the wishes of human tissue donors and their families.



In 2008, we didn't simply fulfill our responsibilities – we lived them every day.

Operating 24 hours a day, seven days a week we followed through on our promises to donors and their families. To our communities. Our Organ Procurement Organization (OPO) partners. And to the medical professionals who make recipients' dreams come true.



In 2008, AlloSource maximized the possibilities by:

- Reducing the average days to clear charts for non-autopsy donors from 90 days to 60 days, allowing the release of more allografts to our local communities. In 2009, we expect to move this number below 50 days.
- Processing the gifts of more than 4,150 donors, a 25% increase over 2007.
- Distributing 144,899 allografts to our communities, a 10% increase over 2007.
- Allocating close to 45% of our revenues to our OPOs to help fund donation awareness and education programs in Buffalo, Chicago, Denver, St. Louis, Des Moines, Cincinnati and San Diego.
- Collaborating with OPOs and medical professionals to find new uses for allografts and perfect our recovery, processing, and distribution techniques.
- Contributing to best practice meetings that enabled our OPOs to increase consent for tissue donation by 27% over the last two years.
- Broadening our reach by adding a new National Allograft Manager, Director of Marketing, Director of Osteobiologics and additional field representatives on the Western Slope of Colorado and in Atlanta, Cincinnati and St. Louis.

Every year since our inception, AlloSource has challenged itself to further the safety and quality of the allografts we produce so that they may live up to their promise to extend and enhance lives. This year, we did this in three specific ways:

Medical Device Registration AlloSource raised the bar for a more rigorous processing environment and quality system by registering with the FDA as a Medical Device (21 CFR Part 820) Establishment.



RICA We introduced an innovative cleaning and disinfecting system that is more effective at reducing bacteria than conventional methods. RICA works by exposing allografts to ultrasonics and a proprietary cleaning solution inside a fully automated, closed, rotating canister. In addition to bacteria, RICA removes the marrow and lipids that can be responsible for allograft discoloration. The automation of this process has also cut cleaning times in half.

The Beginning of an AlloSource Campus In 2008, three new clean rooms were added to the South Troy Circle facility in Centennial, Colorado to prepare for the consolidation of our remote processing operations in 2009. Also in Centennial, our Revere Parkway facility became the centralized location for medical records, production control, and distribution.



We believe in longevity. The allografts we process are transplanted into recipients forever and, for this reason, we must be continually diligent and attentive in our individual tasks and never waver in our dedication to safety and quality.



We believe in our communities. Because our donor communities and recovery partners further the cause of organ and tissue donation they are entitled to preferential treatment and should share in our success. By supporting and giving back to our recovery partners we help strengthen the communities that they serve.



Remaining involved in our donor and recovery communities gives us the ability to quickly respond when called upon by medical professionals. In 2008, we supported our communities in four important ways:

OPO Program Funding In 2008, we allocated close to 45% of our annual revenue to our OPO corporate partners. These monies were used to fund donor education and awareness programs in Buffalo, Chicago, Denver, Des Moines, St. Louis, Cincinnati and San Diego.

AlloSource Tissue Collaborative Each year, we proudly help sponsor the AlloSource Tissue Collaborative, a forum that enables best practices for tissue recovery to be shared. Over the past two years, the implementation of these best practices resulted in a 27% increase in tissue donation consent among participating recovery agencies.

Nationwide Burn Skin Commitment We took extraordinary measures to ensure that allograft skin was available at all burn units treating victims of severe burn incidents.

New LABS Inc. Facilities In 2008, LABS Inc., an AlloSource company, opened new facilities in St. Louis and Philadelphia. These laboratories offer the full-range of infectious disease testing, including highly sensitive Nucleic Acid Testing, which can detect newly acquired infectious diseases such as Hepatitis C and HIV.



In 2008, one of the ways we demonstrated our gratitude was through the simple act of listening. Listening not merely to hear but to understand what forward-thinking surgical teams need now — and what they hope to have in the future.

Dr. Richard Kagan, a specialist in burn skin surgery at the Shriners Hospital for Children in Cincinnati, relies upon allograft skin from AlloSource to treat patients with severe burns. Dr. Kagan believes skin allografts are the “gold standard” for protection against infection. When asked what burn specialists need, he said he would like to see more donations from a broader range of communities and more training for skin recovery technicians. He is hopeful that future discoveries will permit longer storage for fresh skin allografts and improved viability in preserved tissue.

Dr. Brian Cole is the Section Head at the Cartilage Restoration Center at Rush Medical Center in Chicago. He treats over 3,000 patients each year, many of whom are too young for total joint replacement or have come to Dr. Cole after other repair attempts have failed. Dr. Cole says allografts are extraordinarily versatile, remarkably effective and allow his patients to resume high levels of activity relatively quickly. He believes in treating the joint as a system, not just the defect in the cartilage and looks forward to new techniques for addressing a wider range of defects and maintaining the health of allografts from recovery to implant.



We believe in showing gratitude. We are grateful for the life-saving and life-enhancing opportunities presented by the gift of donation and for the medical professionals who play an essential role in honoring those gifts with positive patient outcomes. We hold the medical professionals with whom we work in the highest regard and are committed to providing them with responsive, courteous, and unparalleled customer service and tissue allograft availability.



For the second consecutive year, AlloSource was selected as a finalist for the **Best Companies to Work For in Colorado Award**, presented by the *Colorado Society for Human Resources Management*. This year AlloSource was ranked third out of the 15 large-sized companies chosen. Here are a few of the things we're doing to ensure that our employees and partners continue to play a meaningful role in our organization:



- **CTBS Certification** In 2008, 42 AlloSource employees passed the test, which brings our total number of certified team members to 139.
- **New Wellness Benefits** This year we added a subsidized 24-Hour Fitness membership to our wellness benefit offerings.
- **Succession Planning** In 2008, we formalized our succession program with training and development opportunities for future leaders within our ranks. Training programs were also implemented for exceptional leaders and the Business Leadership Team was formed at the Director level to set strategy, evaluate opportunities, and drive business decisions.
- **Skin Recovery Training** Each year, we provide extensive training for our recovery partners to help them improve their techniques. And each year the resulting improvements play a large role in increasing the number of gifts we are able to process. Our commitment to skin recovery helped us process more than 3,600 skin donors in 2008.

We believe in our people. When we support and empower each other, we drive the success of our organization and promote the fulfillment of our mission. For this reason, every individual in our organization has the right to a rewarding career path, professional improvement through training and coaching, a fair wage, and a healthy balance between work and family.



In 2008, AlloSource was selected as **Healthcare Innovator of the Year** by the *Denver Business Journal*. In our customer satisfaction survey, we received an average rating of 9.4 out of 10 for overall customer satisfaction. Anyone else might find that a reason to rest on their laurels. But for us, satisfaction will never be enough. Here are just two of the many ways we are continuing to deliver powerful new possibilities:

Introduction of Osteocel In 2008, we made process changes to accommodate the time-sensitive needs of Osteocel production. Osteocel is the industry's only viable stem cell product, which acts by promoting the growth of new bone cells. AlloSource is currently the only U.S. tissue network to offer a complete range of bone growth allograft products.

Cross-Functional Think Tank In 2008, we adopted an exciting new product development process with cross-functional teams that evaluate opportunities and determine product viability.



This multi-disciplined approach has already improved our speed to market and enabled us to uncover opportunities that might not be identified in a silo approach. In the coming year, we expect to see several promising new products emerge from this think tank and make their way to the medical community.



We believe in growth and possibility. We are in awe of the discoveries that allow us to fully utilize donated tissue today. The thought of what may be possible in the future motivates us to continue to grow and change. By continually perfecting and pursuing innovations in our products and processes we expand our capability to deliver life-saving and life-enhancing allografts to more individuals in need.

AlloSource in Action

Sugar Plant Explosion in February 2008

On February 8, 2008, 62 people sustained serious burns in an explosion at a large sugar plant located in Port Wentworth, Georgia. When notified of the disaster, AlloSource responded immediately with an initial delivery of 100 square feet of allograft skin to the Burn Unit at Doctors Hospital in Augusta, Georgia, where the victims were being treated. As the treatment of severe burns often requires numerous skin grafts, AlloSource proactively placed 300 square feet of allograft skin on reserve.

Later in the month, the hospital put out a request for an additional 100 square feet of allograft skin. With more than 10" of snow falling and commercial air carriers out of service, resourceful members of the AlloSource team chartered a private plane to deliver the skin allografts to paramedics in Augusta, who immediately transported the tissue to the hospital.



Due to the severity of the burns and number of patients from the explosion, AlloSource was prepared for 8-12 weeks of increased need for skin allografts. In total 1,000 square feet of allograft skin were provided by AlloSource to treat and heal the victims of the disaster.

In late April, representatives from AlloSource traveled to Augusta, Georgia to help celebrate the burn unit's tremendous efforts. At a catered lunch for the entire team, there were more than 100 people present who had covered all three shifts at the hospital through the crisis.

The Manuel Salazar Story

When a crane on his construction site hit a power line, 26-year-old Manuel Salazar was exposed to 115,000 volts of electricity. Twice.

Miraculously, Manuel lived through the accident and was airlifted to Doctors Hospital in Augusta, Georgia where he received skin grafts to heal the electrical burns and underwent amputation of both of his arms at the shoulder and both of his legs above the knee. Thankfully, a gift of human bone enabled Dr. Ross Wilkins and a surgical team at the Denver Center for Extremities at Risk to build Manuel a shoulder that could sustain a lighter-weight, better-functioning prosthetic arm. Before the allograft transplantation Manuel was completely dependent on others. His new arm allowed him to live more independently.



Manuel's shoulder after amputation.

After two years of rehabilitation, physical therapy and group therapy, Manuel is back in action, speaking to school groups, managing his own business, driving, swimming, skiing and even water-skiing. He recently gave a powerful talk to AlloSource employees.

Next up for Manuel are improvements to his prosthetic legs. New techniques that involve inserting longer rods into the existing bone are currently being perfected. Manuel hopes this procedure will enable him to have functional legs that get him close to his previous 5'6" height.

Senior Medical Director Ross Wilkins, MD



Today, we know how to use allografts to replace damaged structures within the human body. Accredited processing facilities such as AlloSource are able to provide safe allografts to surgeons and patients. Skilled surgeons can use allograft tissue or bone to replace almost any bodily structure — from the ligaments and tendons of our major league sports players to the musculoskeletal structures, skin, and spinal components of average citizens.

Tomorrow, we will know more about the growth biology of the human body. About regenerating bone and tissue and using donor stem cells to re-grow physical structures. We'll have more of the information we need to achieve long-term success with groundbreaking procedures such as full limb transplantation.

Currently, physicians of different specialties are working together to solve some of the most difficult issues in limb reconstruction. Surgical teams from the Denver Center for Extremities at Risk and Colorado State University Animal Cancer Center have devised a method for live, full joint transplants. While the work is very promising, additional research is needed in order to block rejection of these living tissues.

As more of our communities learn about these remarkable discoveries and choose to pass along their precious gifts, AlloSource will be able to find new ways to maximize those gifts and surgical teams will be able to provide patients with restored function and movement we thought was impossible.



Manuel's arm after reconstruction.

2008 Highlights

People & Positions

Valuable New Hires In 2008, we added a National Allograft Manager, Director of Marketing, Director of Osteobiologics and new field representatives on the Western Slope of Colorado and in Atlanta, Cincinnati, and St. Louis.

CTBS Certifications In 2008, 42 AlloSource employees passed the CTBS certification test. To date AlloSource boasts 139 certified individuals.

New Paths for Advancement Succession paths and special training programs for promising new leaders were established.

Additionally, a Business Leadership Team was created to help set strategy, evaluate opportunities and drive business decisions.

Facilities Improvements Three new clean rooms were added to the South Troy Circle facility in Centennial, Colorado in preparation for the closure of remote facilities. The Revere Parkway location began housing medical records, production control and distribution.



Products & Processes

New LABS, Inc. Locations LABS Inc., an AlloSource company, opened new facilities in St. Louis, and Philadelphia, which offer the full-range of infectious disease testing, including highly sensitive Nucleic Acid Testing to detect newly acquired infectious diseases.

Osteocel Production Began In 2008, AlloSource began manufacturing Osteocel, making AlloSource the only U.S. tissue network to produce and distribute the complete range of bone growth allograft products: osteoconductive, osteoinductive and osteogenic tissue.

Medical Device Registration AlloSource raised the bar for a more rigorous processing environment and quality control system by registering with the FDA as a Medical Device (21 CFR Part 820) Establishment.

Tissue Donation Collaborative By sharing best practices at the tissue collaborative meetings, OPO partners were able to increase consent for tissue donation by 27% in 2008.

New Think Tank Process In 2008, AlloSource adopted a new product development process with cross-functional teams that evaluate opportunities and determine product viability. Each team is led by a Project Champion and includes a range of team members from different departments such as: RA/QA, Operations, Donor Services, Customer Service, Business Development, Research & Development, Engineering and Finance.

2008 Highlights

Productivity & Processing

AlloSource processed more than 4,150 donors, a 25% increase over 2007 and we distributed 144,899 allografts, a 10% increase over 2007 that enabled us to give more tissue back to our local communities.

Implementing enhanced methods for tissue recovery, processing and distribution resulted in organic revenue growth of 20%.

AlloSource reinvested close to 45% of its revenues in its OPO recovery partners. These funds were used for a host of donation awareness and education programs in communities such as Buffalo, Chicago, Denver, St. Louis, Des Moines, Cincinnati and San Diego.

After investing in an education and training program to recover allograft skin, we were able to process more than 3,600 skin donors in 2008, triple the number processed in 2006.

Our new RICA cleaning and disinfecting process was introduced, further enhancing the safety profile of AlloSource allografts and creating remarkable operational efficiencies that have contributed to our facility's output.

By sharing best practices at the Tissue Collaborative meetings, OPO partners were able to increase consent for tissue donation by 27% in 2008.

The average number of days to clear charts for non-autopsy donors was reduced from 90 to 60 days and is expected to move to 45-50 days in 2009. This helped us provide 33% more allografts to patients in our local communities.

Awards & Acknowledgements

For the second consecutive year, AlloSource was selected as a finalist for the Best Companies to Work For in Colorado Award handed out by the *Colorado Society for Human Resources Management*. This year AlloSource was ranked third out of the 15 large-sized companies chosen.

AlloSource was selected as the Large Company of the Year by the *Best of Centennial* awards program coordinated by the City of Centennial, Colorado.

AlloSource was selected as a finalist in the 2008 Top Company awards program hosted by *ColoradoBiz* magazine to recognize Colorado's most outstanding businesses.

AlloSource was selected as a finalist for the Colorado Ethics In Business: Samaritan Institute Award recognizing outstanding organizations that create and promote a culture of ethical behavior.

In its biennial Customer Satisfaction Survey, AlloSource received high marks across all areas. The average customer rating of AlloSource's performance was 9.4 and the average score for overall customer satisfaction was 9.4.

In its annual Employee Satisfaction Survey, AlloSource netted high marks for both overall employee engagement and satisfaction.

AlloSource was selected as the Healthcare Innovator of the Year in the *Champions in Health Care* awards program, coordinated by the *Denver Business Journal*. This is the second year in a row that AlloSource has been recognized by the program.



AUTOMATIC DOOR - STAND





Key Personnel

Thomas 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,
Strategic 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 Chair of the
Medical Advisory Board

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



LifeCenter Organ Donor Network Cincinnati, OH

LifeLink Atlanta, GA

Lifesharing Community Organ & Tissue Donation
San Diego, CA

Washington Regional Transplant Consortium
Annandale, VA

Medical Advisory Board

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

Michael Bauer, M.D.
Denver, CO

William Bugbee, M.D.
La Jolla, CA

Brian Cole, M.D. MBA
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

Hannis Thompson, M.D.
Denver, CO

Board of Directors

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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
Former Chief Financial Officer,
Donor Alliance

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

Suzanne Conrad
Chief Executive Officer,
Iowa Donor Network

Thomas 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,
Continental Division of HCA

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

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, Board Member,
Donor Alliance

