

**Our continuing success
is built on a strong
commitment to innovation,
high ethical standards
and social responsibility.**



Colson Associates | 2013

To Our Customers, Suppliers, Employees and Friends



As I sit down to gather my thoughts and reflect on this past year, I am reminded of the old Chinese proverb “May you live in interesting times”. The year 2012 was indeed exceptionally interesting for all of us within the Colson Associates Group of Companies. It was a year that was both challenging and at times sad but yet also a year that was rewarding and reinvigorating.

Early in the year we navigated through an interesting period as we said goodbye to Colson Group Holdings (caster and hardware businesses). The sale of Colson Group Holdings had been necessitated by Trust considerations. Unlike the Colson Medical Companies, a substantial portion of the ownership of Colson Group Holdings had been held in Trust. During the latter part of 2011, the Trustee elected to position Colson Group Holdings for sale. Because of certain aspects of the Trust that had been structured decades earlier, the decision to sell was beyond the control of Bob Pritzker, his immediate family or the management of Colson Associates. The ownership of the Colson Medical Companies was not affected and will continue under the ownership firmly in place. We sincerely wish the companies of Colson Group Holdings and all of the employees around the world, who have been our associates and will continue to be our friends, all the best for success. They have been and will be missed.

As most of you who will read this letter know, Bob Pritzker, the founder and leader of Colson Associates and previously the founder and leader of the Marmon Group passed away in the fall of 2011. Bob was our friend, greatest supporter and a source of endless encouragement. The year 2012 was the first full year without Bob by our side and his wisdom, humor, insights and understanding have been missed more than we could ever have imagined. Throughout the year when dealing with issues, there were many times of fleeting sadness when the thought would come to mind, “Bob, what do you think?” or “Bob, does this make sense to you?” But, whenever those frequent times have arisen during this past year, when we would have been comforted with Bob’s presence, I remember his guidance and assurance shortly before he succumbed to illness. As he contemplated the future, Bob reflectively said *“Just always do what you think is right and continue to do the right*

thing.” To each Colson Associates’ Member company employee around the world, I want you to always remember and cherish how blessed and fortunate we all are to be able to work in the environment of such high ethics and integrity that has been entrusted to us. With this comes the responsibility that we continue to “always do the right thing” in all aspects in how we do business and in how we treat one another. You each should also be very encouraged with the knowledge that our Shareholders hold dear these same principles and that we have their strongest support.

We have outstanding dedicated people working at every level within each of our companies who believe in our approach and policies of ethics, respect and fairness and support for the communities in which we reside and the greater world community.

Now to our exciting on-going businesses! I am pleased to share with you that the Colson Medical Companies experienced continued profitable growth during this past year. Revenues increased 7% for 2012 compared to the prior year and pre-tax operating income increased 19%. During 2012, the companies made significantly higher expenditures (investments) in the areas of new product development and market expansion. These expenditures were prudently and conservatively reflected as charges against operating income. Without these incremental expenditures, the 2012 core operating income would have increased 21% compared to the prior year. Our Medical Companies are in the strongest financial position in their history and

well-positioned to be able to respond quickly to evolving market opportunities regardless of where those opportunities may arise or be identified throughout the world. Our companies have state of the art facilities with some of the most technologically advanced production capabilities in the industry.

As importantly, there were many exciting and very positive developments that occurred during the year that will benefit our respective companies well into the future and further broaden the platforms for growth. The more significant achievements are highlighted on page 6 of this 2013 report. Please take time to read and become familiar with these achievements and to appreciate the results of the efforts of our employees throughout the Colson Associates companies.

We are committed to the belief that *“our products are innovation”* and are designed, created and distributed with the highest quality underpinned with the highest level of ethics and integrity. If we pursue excellence in all things we do and in so doing treat all parties with respect, dignity and fairness, trust and success will continue to follow. During calendar 2012, our Medical Companies continued to aggressively invest in new product development and even higher levels of investment are planned for the coming year of 2013. These investments are yielding innovative and exciting new products, at an ever increasing pace, that are dramatically improving the lives of people around the world. Each of our employees, regardless of their current level of responsibility, should be very proud of their contributions and of their role in helping to achieve and sustain the level of excellence that each of the Colson Medical Companies have attained. The employees of our companies and the products that we create and provide are making a positive difference (and in many instances, a dramatic positive difference) in people’s lives. You each have my greatest respect and appreciation.

To have innovative products, creatively designed, of the highest manufacturing quality that can improve the standard of care of individuals’ lives is wonderful, but we must still be able to educate, distribute and increase the awareness to orthopedic surgeons and other caregivers of the existence and effectiveness

of these products (all in compliance with the regulations and guidelines of the Federal Food and Drug Administration and other governing agencies within the United States and in compliance with similar governmental bodies globally). Our policy has always been and will continue unwaveringly to be that we will not encourage, approve, condone or participate in any payments or other benefits to any caregiver

We all have the shared responsibility to operate the businesses with honesty and integrity each and every day no matter what the pressures or challenges.

or to any other party in order to attempt to influence the prescription or use of our products. I want to thank each of our sales personnel and each of our distributors and agents throughout the world, as well as all of our employees, for their compliance with our policies in this area even more so in those situations when they have encountered pressures contrary to our policies. I also want to thank each of our sales personnel, agents and distributors for their dedication, loyalty and many successes this past year in continuing to broaden the presence and awareness of the respective Medical Companies' products in our ever-expanding world markets.

Each of our companies are exceptional, but this is not an accidental occurrence. We have outstanding dedicated people working at every level within each of our companies who believe in our approach and policies of ethics, respect and fairness and support for the communities in which we reside and the greater world community. I am extremely proud and pleased of all of the wonderful supportive activities undertaken by untold numbers of our employees during this past year to help others, both in terms of financial resources and the commitment of personal time. Thank you for enriching

the lives of those who can benefit from your interest and caring.

Our commitment to each of our employees, as we grow, is to continue to be focused on finding people to bring into the companies with similar character, integrity, intelligence and dedication to that which exists today. The Companies of Colson Associates have been built on trust at every level. We all have the shared responsibility to operate the businesses with honesty and integrity each and every day no matter what the pressures or challenges. Because of our foundation of values, our talented and principled people and our wide-ranging capabilities, our companies will continue to thrive regardless of the uncertainties of the future.

To our customers, suppliers and business associates, on behalf of all of the employees of the Colson Associates companies throughout the world we want to express our greatest appreciation for your continued support. We sincerely value each of you. To our customers, you have our assurances that we are continuing to direct our talents, skills, resources and energy on further understanding and responding to your needs and enjoying our role as a contributor to your success. Through integrity, honesty, creativity, uncompromising product quality, the highest level of service, innovative new products and compelling pricing, we intend to further strengthen our relationship as your supplier of choice throughout the coming years.

On behalf of all of the Colson Associates employees throughout the world, we wish all the best to our customers, suppliers, and friends for great success during the coming year. We are hopeful that we will be key contributors to your success!

In the following pages of this report, we are pleased to share with you highlights and achievements of particular interest from the individual businesses. Throughout this report, I hope our companies' commitment to the development of innovative new products, our principles of doing business and our commitment to social responsibility is clear.

Louhon Tucker
President and Chief Executive Officer
Chicago, Illinois
March 2013

A Word About Colson Associates

Colson Associates, Inc. and each of its member companies are privately owned by certain direct family members of Robert "Bob" Pritzker. Mr. Pritzker, who passed away in October 2011, created Colson Associates in early 2002 for the purpose of providing management and certain administrative services on a more efficient basis to Colson Associates' member companies. Subsequent to the creation of Colson Associates, a number of medical-related companies were acquired and those companies now include Acumed Holding Company, Inc. and subsidiaries, Apex (Guangzhou) Tools & Orthopedics Company, MicroAire Holding Company LLC and subsidiaries, OsteoMed Holding Company, Inc. and subsidiaries, Precision Edge Holding Company LLC and subsidiaries, and Skeletal Kinetics Holding Company LLC and subsidiaries. Each of these member companies are independently operated and managed but with certain support services provided by Colson Associates.

While the member companies around the world operate independently, Colson Associates, Inc. (a small professional organization in Chicago, Illinois) manages and invests the member companies' non-operational financial resources and advises the companies on accounting, international and state tax, finance, legal, insurance and risk management, regulatory, real estate, acquisitions and other matters.

It is the objective and intent of the management of Colson Associates and that of the Shareholders of Colson Associates and of the respective member companies, that each of the companies operate with the highest level of ethics, full compliance with governmental and industry regulations and with a keen sensitivity toward social responsibility.

Socially Responsible and Actively Involved

The member companies of Colson Associates are committed to social responsibility and community involvement. Such commitment is of fundamental importance to Colson Associates and to our shareholders and has been and continues to be evidenced in many ways by our companies and employees throughout the world. Our companies are encouraged to reaffirm these values in a tangible manner through support for humanitarian, educational and charitable activities locally and on a global basis. Colson Associates and our member companies firmly believe that we also have a deep responsibility, which we have embraced, to aid the afflicted through improving the standards of care. We continue to discharge this responsibility

through our extensive new product research and development and through providing training, supplies, modern equipment and other support to non-profit organizations. The mission of some of these organizations is to support surgeons in developing countries in order to offer immediate orthopedic surgical treatment to individuals who otherwise would not have access to the benefits of advanced medical treatments.

In order to help others, we must first always insure that our employees are provided with an environment of the highest levels of safety and care, that we have the greatest respect as an environmental custodian for the world in which we live, that our companies are strong financially so that we have the resources both for

reinvestment and to be able to identify and fund activities where assistance is meaningful.

But to make these socially responsible activities meaningful, all of our businesses around the world and all of our activities must be sustained globally by a continued focus on maintaining high ethical business practices. We take this extremely seriously and continually devote significant attention to further strengthening our business practices and controls so that we might better insure the future of our companies, our employees, our business relationships, our ability to improve the standards of care, our compliance with government and industry regulations, and our abilities to continue to fulfill our desires for innovative social responsibility.



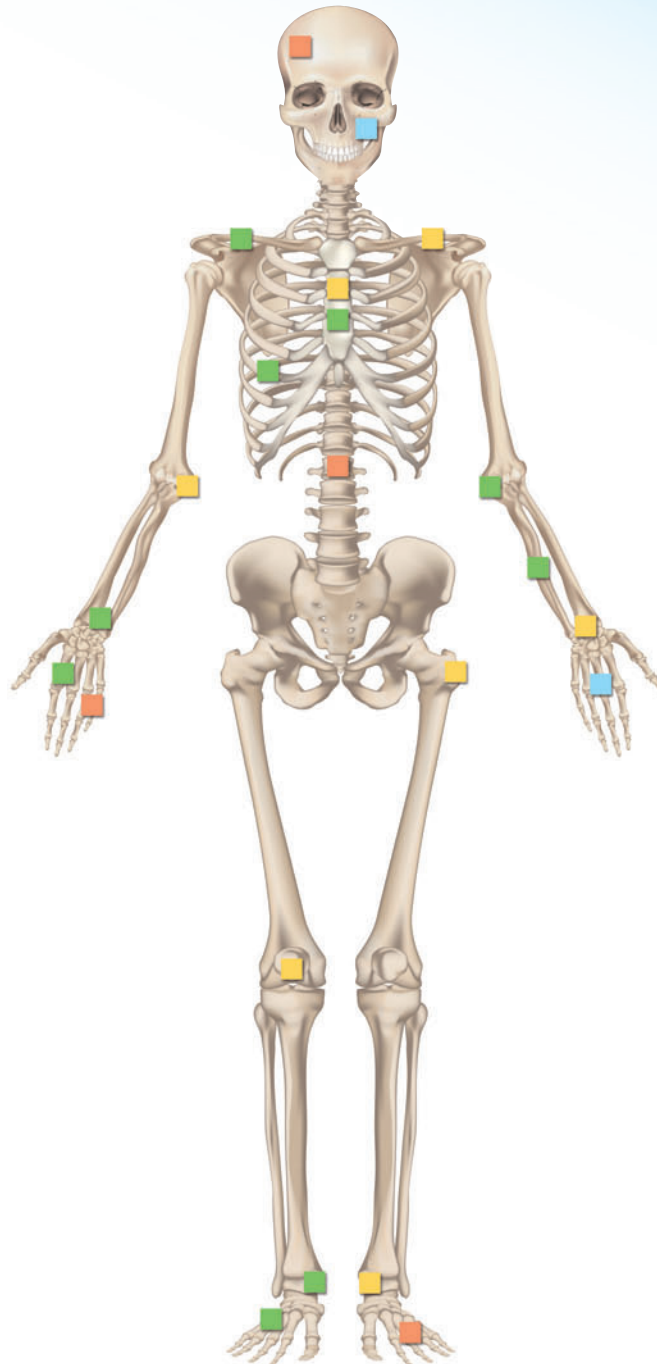
					
Acumed LLC	Apex (Guangzhou) Tools & Orthopedics Company	MicroAire Surgical Instruments LLC	OsteoMed LLC	Precision Edge Surgical Products Company LLC	Skeletal Kinetics LLC
www.acumed.net	www.apexitool.net	www.microaire.com	www.osteomed.com	www.precisionedge.com	www.skeletalkinetics.com
Hillsboro, Oregon Andover, England Madrid, Spain Beijing, China	Yonghe, Guangzhou, China	Charlottesville, Virginia	Addison, Texas	Sault Ste. Marie, Michigan Boyne City, Michigan	Cupertino, California
<i>432 employees</i>	<i>105 employees</i>	<i>145 employees</i>	<i>253 employees</i>	<i>217 employees</i>	<i>22 employees</i>
<i>164,451 square feet</i>	<i>100,000 square feet</i>	<i>73,000 square feet</i>	<i>61,000 square feet</i>	<i>74,100 square feet</i>	<i>16,500 square feet</i>

Colson Medical Companies

The Colson Medical Companies are dedicated to the advancement of medical science, the improvement of patient care, and in particular to the contribution that high quality, cost effective health care technology can make toward achieving those goals.

In pursuing this mission, the Colson Medical Companies recognize that adherence to ethical standards and compliance with applicable laws are critical to their ability to continue the collaboration with health care professionals. The Colson Medical Companies insist upon ethical business practices and socially responsible conduct related to their interactions with health care professionals.

Our companies also respect the obligation of health care professionals to make independent decisions regarding the Colson Medical Companies' products. Consequently, a Code of Ethics has been adopted to facilitate the Companies' ethical interactions with those individuals or entities that purchase, lease, recommend or use prescribed Colson Medical Companies' medical technology and products.



Acumed LLC

Orthopedic implants, instrumentation and bone biologics for upper and lower extremities



MicroAire Surgical Instruments LLC

Extremities, aesthetics, carpal tunnel, power equipment



OsteoMed LLC

Oral maxillofacial, neuro, plastic reconstructive, otolaryngology, podiatry and spine



Skeletal Kinetics LLC

Bone cements, sternum closure, spine, joint and craniofacial reconstruction and the attachment of soft tissues to bone

Apex (Guangzhou) Tools & Orthopedics Company

Implantable plates, screws, pulse lavage and other products

Precision Edge Surgical Products Company LLC

Blades, burs, drills, reamers, rasps and instruments for orthopedic procedures used throughout the body

Selected Significant Achievements During 2012

ACUMED®

- Launched 12 new products including the Large Acutrak 2 screw system and the Variable Angle screw platform
 - Trained over 1300 surgeons globally in 2012, an 11% increase over 2011. A Residency Program was launched to further promote surgeon education
 - Achieved record sales in 2012
-

APEX iTool®

- Completed CE mark registration on all Apex product lines
 - Implemented Continuous Process Improvement (CPI) programs
 - Achieved record sales in 2012
-

MICROAIRE®

- Completed renovation and move to a significantly larger facility which includes a new BioSkills Lab to support enhanced surgeon training
 - Released 5 new products including iSIS™ Small Power Instrument System
-



- Developed and launched 4 new products including a new neurological plating system (Profile Zero™)
 - Added 11 new major academic center customers
 - Achieved record sales in 2012
-



- Completed construction and start-up of new 37,000 square foot manufacturing facility in Boyne City, Michigan
 - Designed and developed a new keel cut blade
 - Achieved record sales in 2012
-

Skeletal Kinetics®

- Launched Callos ProModel™ and SKaffold ReNu™, both faster resorbing biologic cements
- Achieved record sales in 2012

ACUMED®

Innovative Solutions

Acumed LLC

Designs, manufactures and markets orthopedic implants, instrumentation and bone biologics for the upper and lower extremities. The company is dedicated to the development of indication-specific products that provide superior fixation, anatomic restoration and early patient rehabilitation. Next-generation products are offered to surgeons worldwide.



The original Acu-Loc Wrist Plating System revolutionized wrist fracture treatments with the first anatomic volar plate. Acu-Loc 2 advances the original design to the next generation in wrist plating fixation. The system offers several new plate options, a unique two piece locking compression screw, innovative instrumentation for fracture management and new plate placement tools.

The Large Acutrak 2 family embodies the benchmark of innovation. As part of the Acutrak screw family, Acutrak 2 screws represent the latest evolution in fully threaded headless screw fixation. The Large Acutrak 2 – 7.5 is comprised of 17 unique screw size options to fit a wide variety of applications throughout the body.



APEX iTool®

Helping People to a Better Life

Apex (Guangzhou) Tools & Orthopedics Company

Designs and manufactures a wide array of medical devices including implantable plates, screws, instruments, drills, taps, saw blades and burs, as well as plastic molds for the North American, European and Asian markets.



Pulse lavage system by Apex (Guangzhou) Tools & Orthopedics is a disposable system used in general wound and ulcer procedures.



APEXSUTURE Skin Stapler is an ergonomically designed tool used to close lacerations and incisions similar to traditional needle sutures, saving time by up to two-thirds.

MICROAIRE®

For Surgery, For Life.™

MicroAire Surgical Instruments LLC

Designs, manufactures and markets powered surgical instruments for total joint replacement surgery, orthopedic surgery of the extremities, aesthetic and reconstructive surgery, endoscopic carpal tunnel release, and sterile orthopedic blades.



LipoTower™ sturdy and powerful surgical cart used for tumescent liposuction.



Ergonomic Solo™ Driver is the smallest wire/drill-driver with the widest range of wire sizes.



iSIS™ modular electric motor handpiece with hand throttle.

OSTEOMED®

*Rethinking Possibilities,
Reshaping Lives*

OsteoMed LLC

An innovator in the development, design, manufacture and service of high quality and cost effective surgical products. The company specializes in the development of products for small bone reconstruction, distraction osteogenesis, spinal fusion and trauma surgical devices targeted primarily to the oral maxillofacial, neuro, spine, plastic reconstructive, otolaryngology (ENT), podiatry and small bone orthopedic surgical specialities.

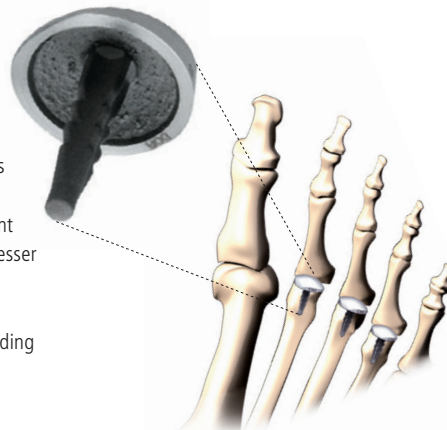


The Oracle Cranial Distractor allows the surgeon the ability to more easily generate new vascularized bone while performing a low risk procedure when compared to single stage treatment options.



OsteoMed's primaLOK™ SP Interspinous Fusion System and primaLOK™ FF Facet Fixation System offers surgeons minimally disruptive and minimally invasive next-generation options.

The EnCompass Lessers takes OsteoMed's established first metatarsal resurfacing implant and expands the line to the lesser metatarsals. The EnCompass Lesser is a one-piece implant with a four finned stem providing minimal bone resection and anti-rotational stability.



Precision Edge[®]
Surgical Products Company LLC

**World Class People...
World Class Product**

**Precision Edge Surgical
Products Company LLC**

An industry leading contract manufacturer of precision surgical components, cutting tools and instrumentation for use in the orthopedic industry.

A selection of products manufactured by Precision Edge Surgical Products.



 **Skeletal Kinetics[®]**

**Engineering the Future of
Osteobiologics**

Skeletal Kinetics LLC

A pioneer in orthopedic biomaterials, the company develops, manufactures and markets bone cements and related biologic products. The company has expanded products to new target audiences to include total joint revision, sternum closure, oncology, and continues to focus on orthopedic trauma fracture fixation, spinal, joint and craniofacial reconstruction and the attachment of soft tissues to bone.

Calcium phosphate bone cement products (bone void filler) manufactured by Skeletal Kinetics.



Skeletal Kinetics' Callos™ Mixing and Delivery System mixes a proprietary powder and liquid in a consistent cement mix in one minute. Callos Inject adds an easy-to-use plunger for extruding Callos Inject directly into the syringe, while Callos Impact can be scooped out with the provided spatula.

Colson Medical Companies' Operating Facilities and Capabilities



Acumed Headquarters
Hillsboro, Oregon



Acumed Learning Center used
for surgeon bioskills training



Apex (Guangzhou) Tools & Orthopedics Headquarters
Guangzhou, China

Electropolishing room



Shop floor grinders at the Apex facility



MicroAire Surgical Instruments Headquarters
Charlottesville, Virginia

Manufacturing at MicroAire's new facility



BioSkills Lab and training facility



OsteoMed Headquarters
Addison, Texas

BioSkills Lab and training facility



Production floor



Precision Edge Surgical Products Headquarters
Sault Ste. Marie, Michigan

Production floor at Sault Ste. Marie facility



Production floor at Boyne City, Michigan facility



Skeletal Kinetics Headquarters
Cupertino, California

Furnaces used in production of biologic products



Tissue culture lab



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