



**COLSON ASSOCIATES**  
**2017**



## TO OUR ASSOCIATES, CUSTOMERS, DISTRIBUTORS, SUPPLIERS AND FRIENDS

### To our Associates,

I am extremely pleased to tell you that 2016 was another year of record revenues and record profitable growth for the Colson Associates Member Companies. The continued strong financial and operating performances of this past year has stimulated our companies to invest at even higher levels during 2016 into new product development. These well-considered investments will further strengthen the foundation for future growth and will position the companies to grow at rates in excess of their respective markets. I want to thank each of you for your contributions that led to 2016 being an outstanding year!

I have often thought, during each occasion of preparing these annual letters and at various other times, how wonderful it would be to have the opportunity to sit privately and informally on an individual basis with each of you—each of our associates around the world. To be able to do so and to gain and benefit from your insights and guidance not only would be of great enjoyment but would provide an even better basis on which to continually test for reasonableness the strategic direction of each of the companies and to best insure that the business plans are being developed and implemented with the proper resources and meaningful management attention. The key objective of seeing that the companies are moving in the proper direction to achieve our commitments to improvements in patient care, profitable growth and increasing shareholder value is a responsibility we all share—because it is in each of our best interests to be the utmost stewards over the businesses for which we have been entrusted which will, in turn, protect the jobs, work environment, ethics and culture that we respect and enjoy.

Your candid insights, observations, understanding of the businesses—what works and what needs improving, where you can further contribute given the opportunity, and your humor and guidance is of invaluable importance to me and to each of the respective company Presidents.

Unfortunately, because of the rapid worldwide growth of our companies, it is not practical nor

possible to achieve my ideal objective of being able to periodically sit down with each of you and to gain the benefit and enjoyment of that shared time together. However, Becky Spooner, Vice President Administration, Chris Smith, Vice President Finance and I do continually look for the next best alternatives and, as a result, we get out to each of the companies as frequently as possible without unduly disturbing or disrupting the companies' business activities.

So, what have we been hearing? Well, a lot of very good things as well as your continued encouragement to see that we all do business only one way—the right and ethical way! Just as importantly, many of you have shared and provided important insights into areas of opportunities and emerging challenges.

*Our biggest competitive advantage is beyond any doubt our people and our culture of ethics, accountability, creativity and quality.*

*We just can't be beat!*

The companies, of which we are all a part and in which each of you play an important role, are unquestionably in the strongest financial and operational positions ever. We have been leveraging off this ever growing foundation of strength to protect the future of the companies and the future of our employees by investing at increasingly higher levels in new product research and development. These investments are yielding a number of potentially exciting new products that, if successfully embraced by the market, could have a significant beneficial impact and result in further meaningful profitable growth.

Our biggest competitive advantage is beyond any doubt our people and our culture of ethics, accountability, creativity and quality. We just can't be beat!

***I am inspired by our employees around the world who like what they do, take it seriously, no matter what the project or challenge, and do it extremely well. My sincere thanks for your unwavering commitment and dedication to fulfilling each and every day our mission of being the best at what we do in improving patient outcomes and delivering exceptional value. I have been pleased as I travel from company to company to see, in action, the inspiration and rallying to the call that "achieving average is not an option!"***

As we continue to deliver exceptional value to our customers through credibility, trust, integrity and reliability underscored by dependable and exciting products, we can expect, as we have seen again this past year, to see more and more new customers (especially surgeons and hospitals) joining with us to benefit from the products, services and support that we make available in assisting patients.

On another front, I found it very interesting to read a few months back in the annual report of a competitor, "we are finding new ways to increase collaboration across our companies, without distracting from our decentralized business unit approach." As many of you know, we have been doing much the same. While the relative independence of each of our businesses continues to be of great importance, where we can better serve our customers through collaboration between our companies, each of our companies as well as our customers will benefit. We are not changing our business approach, just benefiting by bringing together our strengths and directing those strengths in a targeted fashion.

2016 was a great year for our companies! And, while I am more excited than ever about what the future holds for our companies and the prospects for our growth evidenced by upcoming new and exciting product announcements and our ever increasing levels of employment of

skilled and talented employees, the future is not without challenges.

In my view, the greatest challenge we face is the rapidly evolving market environment with the shifts in procedure significance, consolidation of end-user hospital customers as well as consolidation of competitors with fewer but much larger competitors and the attendant pressures arising from these changes.

We must not only understand these changes and adapt to them, but we must also successfully anticipate the directional movements of the market and the likely paths of our competitors. Even a great and well-managed company such as McDonalds faces similar challenges, as evidenced by the comments during 2016 of Steve Easterbrook, McDonalds' Chief Executive Officer, when he stated "the pace of change outside McDonalds has been running quicker than the pace of change within."

Our challenge within the Colson Associates Member Companies is to see that we understand and anticipate the market and run faster than the market and faster than our competitors! This is nothing new for us and I am extremely confident our companies will continue to be recognized as leaders and winners within the markets they serve.

We are making a difference! A difference by (1) improving patient outcomes, (2) developing surprisingly different and better products, and (3) providing cost-effective solutions.

My sincere thanks to each of you for your continued support, inspiration, commitment and valuable contributions.

Keeping our work environment a great place for each of our employees to thrive, to be able to contribute and to feel free from inappropriate behavior is of paramount importance. I want to remind each employee and urge each of you that if you see or encounter any form of harassment or any inappropriate behavior you must report these matters to your immediate supervisor and to your company's human resources department or through the anonymous Confidential Reporting Hotline. While there have been very few such instances, Colson Associates can't address matters on your behalf and in your interest if we are not made aware. So,

please make us aware of any such situations so we can help you. We will not tolerate any retaliation and you will be protected at all times. You have a responsibility to report such situations and I will insure you we have a desire, responsibility and commitment to fully investigate and address any such situations and will aggressively do so to protect each of you, our culture and our environment of ethics, and accountability and our commitment to "doing business the right way!"

### **To our Customers, Distributors, Suppliers and Friends,**

On behalf of all of the employees of the Colson Associates Member Companies throughout the world, we want to express our greatest thanks for the confidence you have in our products, our services and in us. We sincerely appreciate your continued support and we greatly value each of you. As our customers—both those who have joined us during this past year and those with whom we have enjoyed a long-standing relationship, you have our assurances that we are continuing to direct our talents, skills, resources and energies on gaining a further understanding of your needs and responding favorably to your needs.

*Our policy is to recruit the very best people to develop and execute market leading strategic priorities and to reflect and respect the diversity of our employees and the diverse nature of the global footprint of our businesses.*

Through integrity, honesty, creativity, uncompromising product quality, the highest levels of service, innovative new products and

compelling competitive pricing, we intend to further strengthen our relationships as your supplier of choice during 2017 and the years beyond. But, we fully realize we must earn your business each and every opportunity we have to do so—it's our greatest way of saying thanks for the privilege of having you as our customer!

Our policy is to recruit the very best people, to develop and execute market leading strategic priorities and to reflect and respect the diversity of our employees and the diverse nature of the global footprint of our businesses. Through a deeply embedded culture of accountability and an adherence to "doing business the right way", our businesses are continually achieving great successes, creating and building wonderful and mutually beneficial relationships at all levels throughout the industry, and bringing to market products that dramatically improve the standard of patient care and they are doing this all within an environment where diversity is respected and protected and where innovative thinking is enthusiastically encouraged and rewarded.

We wish all the best to our customers, our continued full and unwavering support to our distributors as well as to our suppliers and friends for great success during the coming year. We again are hopeful that we will be a key contributor to your continued success.

Throughout the following report, you will clearly see demonstrated our companies' commitment to the development of innovative new products, the commitment to the continuum of patient care, our principles of doing business and our commitment to social responsibility, our on-going commitment to the highest level of quality and that our adherence to compliance continues to be clear and uncompromising.

Thank you for the trust and reliance you place in our products and in us each day.

Louhon Tucker  
President and Chief Executive Officer  
Colson Associates, Inc.  
Chicago, Illinois  
March 2017



## 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 patient care. We continue to discharge this responsibility

through our extensive new product research and development programs 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 highly 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.



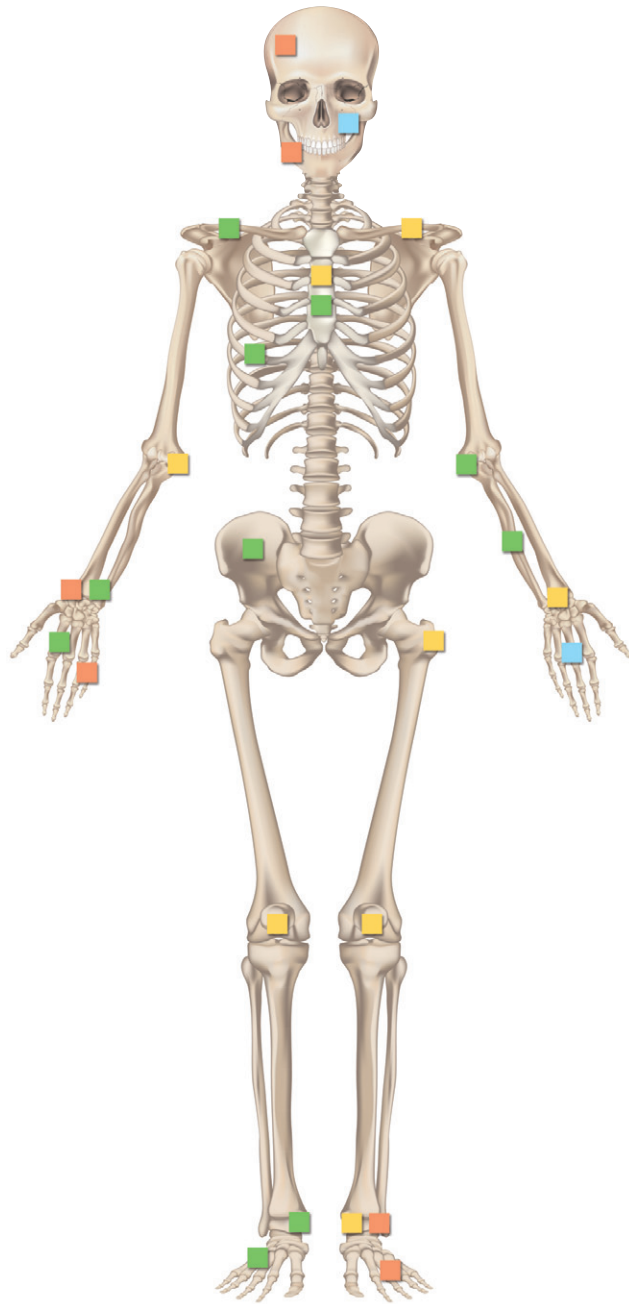
Acumed LLC	Apex (Guangzhou) Tools & Orthopedics Company	MicroAire Surgical Instruments LLC	OsteoMed LLC	Precision Edge Surgical Products Company LLC	Skeletal Kinetics LLC
<a href="http://www.acumed.net">www.acumed.net</a>	<a href="http://www.apexitool.net">www.apexitool.net</a>	<a href="http://www.microaire.com">www.microaire.com</a>	<a href="http://www.osteomed.com">www.osteomed.com</a>	<a href="http://www.precisionedge.com">www.precisionedge.com</a>	<a href="http://www.skeletalkinetics.com">www.skeletalkinetics.com</a>
Hillsboro, Oregon Beijing, China Andover, England Madrid, Spain	Yonghe, Guangzhou, China	Charlottesville, Virginia	Addison, Texas	Sault Ste. Marie, Michigan Boyer City, Michigan	Cupertino, California
489 employees 168,235 square feet	118 employees 100,000 square feet	149 employees 97,000 square feet	233 employees 61,000 square feet	237 employees 74,900 square feet	8 employees 8,250 square feet

## 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 the member companies of Colson Associates. 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 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.



### Acumed LLC

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

### MicroAire Surgical Instruments LLC

Aesthetics, carpal tunnel and power equipment

### OsteoMed LLC

Oral maxillofacial, neuro, plastic reconstructive, otolaryngology and podiatry

### 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, and a range of other medical products

### Precision Edge Surgical Products Company LLC

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

## CODE OF BUSINESS CONDUCT

The Colson Associates Member 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 Associates Member 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 Associates Member 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 Associates Member 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 Associates Member Companies' medical technology and products.

With the foregoing in mind, Colson Associates has a Confidential Reporting Hotline in place to provide a confidential and, if desired, anonymous avenue for employees to report any real, perceived or potential matters of ethical concern to Colson Associates.



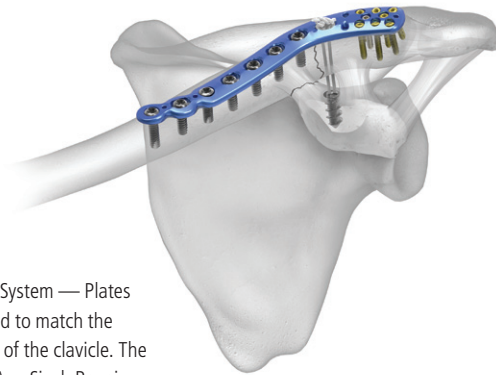
*Innovation With Purpose*

## Acumed LLC

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

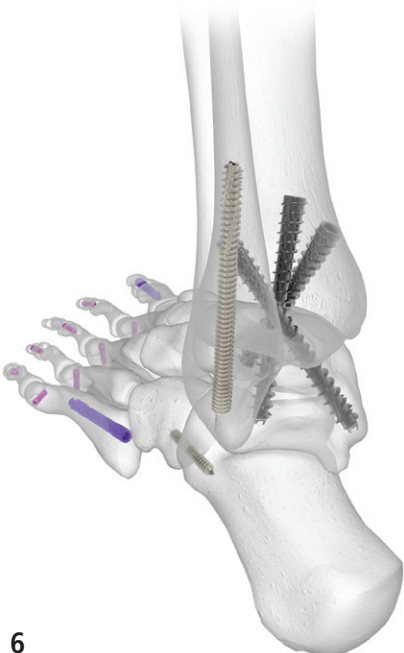


Polarus® 3 — The Polarus® 3 Solution offers an array of plate and nail options for treating proximal and midshaft humerus fractures.



Clavicle Plating System — Plates are precontoured to match the natural S-shape of the clavicle. The accompanying Acu-Sinch Repair System supports healing of the coracoclavicular ligaments.

Acutrak 2® Headless Compression Screw — The original fully threaded headless compression screw with continually variable thread pitch. Six screw families create 68 different options for fixation in the upper and lower extremities.



Hand Fracture System — Featuring both fracture-specific and standard plates, these are the first hand plates on the market to accept multiple screw diameters in every hole of every plate.



Acumed Headquarters, Hillsboro, Oregon



Brookwood facility, Hillsboro, Oregon



Acumed Learning Center for surgeon and employee bioskills training



Acumed Learning Center for surgeon and employee bioskills training

## Apex (Guangzhou) Tools & Orthopedics Company

Designs and manufactures a wide array of medical devices for surgeons and OEM buyers including surgery drill bits, k wires, taps, reamers, rasps, saw blades, screw drivers, medical instruments including skin staplers, knee positioners, and bone mills for the North American, European and Asian Markets.



Apex's latest version of the avascular necrosis core decompression (AVN) kit. In this new and innovative design, the expandable decompression blade tip can be easily replaced.



ApexWoundCare Pulse Lavage is designed with a thinner tip choice and a sliding switch.



Apex brand surgical handles.



Apex (Guangzhou) Tools & Orthopedics, Headquarters, Guangzhou, China



Manufacturing facility



Cleanroom tubing extrusion capabilities



*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 reconstructure surgery, endoscopic carpal tunnel release, and sterile orthopedic blades.



The 5000 Series small-bone power system—featuring the ergonomic Solo™ Driver, the smallest wire/drill-driver with the widest range of wire sizes—developed with surgeons, for surgeons.



MicroAire's patented SmartRelease® single-portal endoscopic carpal tunnel release system uses a small incision at the base of the wrist as the entry point for a disposable blade procedure.



PAL® Liposuction System is the only US-patented liposuction instrument using a reciprocating motion (rather than rotating) to facilitate the movement of the cannula within tissue.



MicroAire Surgical Instruments, Headquarters, Charlottesville, Virginia



Manufacturing facility and warehouse, Charlottesville, Virginia



BioSkills Training Center with 24 surgeon capacity



Operations facility, Charlottesville, Virginia





**Rethinking Possibilities,  
Reshaping Lives**

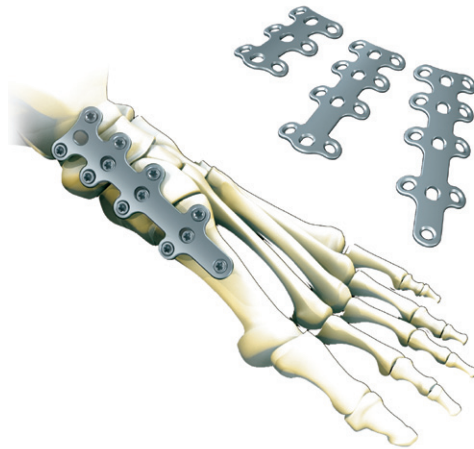
## OsteoMed LLC

Develops, designs and manufactures products for small bone reconstruction, distraction osteogenesis and trauma surgical devices targeted primarily to the oral maxillofacial, neuro, plastic reconstructive, otolaryngology (ENT), podiatry and small bone orthopedic surgical specialties.



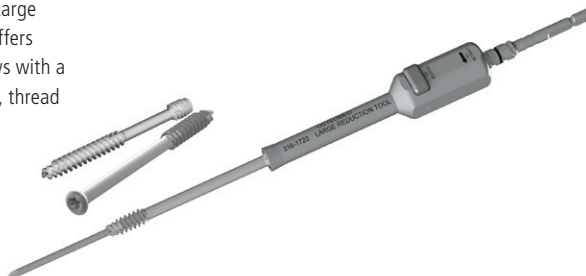
The InstaFix™ Shape Memory Fixation System is a sterile packaged implant system for orthopedic and podiatric surgeons for hand and foot bone fragment and osteotomy fixation as well as joint arthrodesis.

The OsteoMed ExtremiLOCK™ Foot System Medial Column plates ("VERSA plates") are designed to treat multiple reconstructive procedures and traumatic injuries of the midfoot.



Hybrid Maxillary Mandibular Fixation (MMF) combines the effectiveness of interdental wiring with improved patient and surgeon safety during teeth wiring procedures.

The ExtremiFix™ Midsize I Large cannulated screw system offers headed and headless screws with a variety of thread diameters, thread options, and lengths.



OsteoMed Headquarters, Addison, Texas



BioSkills Lab and training facility



BioSkills training center



Manufacturing facility

**Precision Edge<sup>®</sup>**

*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.



From front: Swivel Quick Release Assembly, Compression Drill Guide, Depth Gauge (230mm).

Concave Face Reamer Assembly.



Small Joint Tensioning Assembly.



Precision Edge Surgical Products Headquarters, Sault Ste. Marie, Michigan



Sault Ste. Marie, Michigan manufacturing facility



Boyne City, Michigan manufacturing facility



Boyne City, Michigan manufacturing facility



*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 for total joint revision, sternum closure, oncology, orthopedic trauma fracture fixation, spinal, joint and craniofacial reconstruction and the attachment of soft tissues to bone.



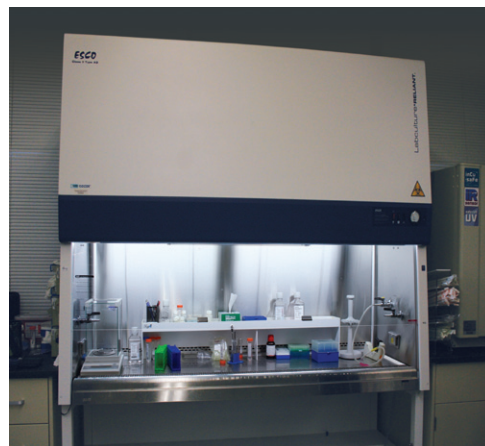
Calcium phosphate bone cement products (bone void filler) manufactured by Skeletal Kinetics.



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.



Skeletal Kinetics Headquarters, Cupertino, California



Testing lab



Furnaces used in production of biologic products



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