



*Innovations in Biomaterials*

CollaFix HydroFix

Dear Shareholder,

We are pleased to report to you on MiMedx Group accomplishments for 2010. We have made rapid progress in all areas of our business activities, including commercializing our first products, developing sales distribution and our first revenues, obtaining additional regulatory clearances in the United States as well as Europe, raising sufficient capital to continue our new product development and operations, and making our first acquisition. While we have kept you apprised of our progress through press releases and interim reports, we will use this opportunity to summarize our 2010 progress.

As a review, please recall that we now have three different biomaterial technologies from which we have developed and will continue to develop numerous implants. These include our HydroFix™ technology, which is a PVA hydrogel. This is a silicon-like material with better properties that can be substantially tailored to meet the requirements of the particular implant. Our second material, which we now call our CollaFix™ technology, is a very unique collagen fiber that has strength and stiffness similar to tendons and ligaments. This makes CollaFix™ a candidate for all types of soft tissue repair. Our third technology, which we call AmnioFix™, came with our acquisition of Surgical Biologics. This material is amniotic membrane tissue, which is proving to have opportunities as an implant in numerous applications.

As we entered 2010, we had only one product, our HydroFix™ Vaso Shield, which was cleared by the Food and Drug Administration ("FDA") for sale in the United States. However, we received the CE Mark (European Certification) for our HydroFix™ Spine Shield in early 2010. Therefore, we started selling both products simultaneously. In order to do so, we were required to set-up sales distribution both in the U.S. as well as Europe and other foreign countries. We brought in Mike Carlton as our Vice President of Sales and Marketing to manage our sales and marketing activities. Mike came with an excellent background in orthopedics and in sales and marketing management, and he has proved that we made the right choice. He has managed the development of a quality group of approximately 31 sales representative and dealer organizations across the United States. We now have coverage of approximately 80% of the country. At the same time, Mike managed the development of our European and other foreign dealers. He has developed sales distributors in eight European/Middle Eastern countries, and five other international markets. He hired a very experienced European sales manager, Milena Ridl, at the end of 2010. He located and retained a very experienced international orthopedic sales consultant, John Halliday, to manage a number of our Asian sales distributors.

Therefore, I think that we had a very productive twelve months of developing the initial sales distribution for our products. There have been growing pains, particularly in our international markets; however, those are normal with a fast growth trajectory. We look forward to our new distribution system producing substantial revenue growth for our products in 2011 and beyond.

We began the year with approval to sell our HydroFix™ Vaso Shield as a vessel guard in anterior spinal surgery in the U.S. In February, we received the CE Mark to sell the HydroFix™ Spine Shield in Europe as an anti-adhesion barrier in anterior spinal surgery. At the end of December, we received additional European approval to sell the HydroFix™ Spine Shield for posterior procedures, which increases the market opportunity in Europe and certain other countries by a factor of ten.

We were disappointed by the market acceptance of our HydroFix™ Vaso Shield in the U.S. market. Because of many of the complications that our Vaso Shield is designed to prevent, many physicians have changed their approach on revision or subsequent surgical procedures from anterior to lateral or posterior. This limited the number of procedures in which our Vaso Shield would be utilized. While we have some medical centers using the product routinely, we are still going through the physician acceptance phase in many other institutions.

**MIMEDX GROUP, INC.**

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In 2010 we had some successes as well as disappointments with our regulatory process. While we received additional FDA clearances for our HydroFix™ technology in the U.S., we were not able to obtain our first FDA clearance for our CollaFix™ technology, despite our having made several applications for 510(k) clearances. Many U.S. medical device manufacturers have complained about the 510(k) clearance process becoming much more difficult and restrictive. We have experienced some of the same frustrations, but recently have had more collaborative exchanges. In our opinion these are policy issues, not issues specific to our CollaFix™ collagen fiber technology or our HydroFix™ technology. In these types of situations, the Company must persevere through the process. We have one of the most experienced quality and regulatory executives in the industry, Bill Jackson, and I have certainly had decades of shepherding clearances and approvals through the FDA as has Bill Taylor. Therefore, I expect our perseverance will prevail in 2011 and that we will be successful in obtaining additional clearances for our very unique and innovative medical biomaterial technologies.

In Europe, we have experienced a straightforward approval process. This has also been the experience of most of the other medical device manufacturers. We obtained two CE Marks (European Certifications) for our HydroFix™ technology in 2010.

Incidentally, in the case of our AmnioFix™ amniotic membrane tissue, we are not required to obtain 510(k) clearance for these implants. However, we follow strict FDA and other industry regulations regarding the processing of the amniotic membrane. Our tissues are subject to Section 361 of the Public Health Service Act and are considered transplanted tissues rather than medical devices. Therefore, we expect to be able to bring new tissue implants to the market at a much faster rate because it will not require 510(k) clearances.

Some additional operational achievements during the year are highlighted in the enclosed letter from Bill Taylor, our President and Chief Operating Officer.

During 2010, we had to continue to raise additional capital to support the Company's new product initiatives, operational growth, and other activities since we had not achieved a cash flow breakeven status. We are fortunate to have accomplished this through PIPE's (Private Investment in a Public Equity.) The majority of this new investment came from our existing shareholders, although there were a number of new shareholders added to our group. The Company has a distinguished group of high net worth individuals as shareholders. The majority of these individuals have been involved with our founder, Steve Gorlin's, previous businesses as well as some of mine. We plan to complete our fundraising shortly, and that should be the final funding required to see the Company to the point where it achieves breakeven status in the third quarter of 2011. In 2010 we raised a total of approximately \$8 million in our PIPE offerings.

In the growth of my former companies, we prudently used strategic acquisitions to build product lines and businesses to the point of dominance. Finding the right match from a cultural, management, technology, and financial standpoint is challenging. As you may remember, I recruited several of my former executives to the MiMedx team, on either a part-time or a full time basis. Over the decades, my former businesses made about 47 acquisitions ranging from a few million dollars to \$450 million. Therefore, I think our executive group knows the "art and science" of such transactions, and we will, as we have just done with Surgical Biologics, use that strategy in a prudent fashion.

Relative to the Surgical Biologics transaction, which was completed on January 5<sup>th</sup>, I can safely say that will be a very effective part of MiMedx Group. After our industry search for the best amniotic membrane tissue processor, we were so fortunate to find Surgical Biologics located about ten miles from MiMedx. We are also most fortunate to have found two very experienced medical tissue processing executives in their founders, John Daniel and Randall Spencer. They have perfected Surgical Biologics' processing technology, which has been branded the Purion® process, to the point that it far surpasses the few competitors. In addition, Surgical Biologics has filed a number of patents and also has other proprietary intellectual property. MiMedx Group brings to Surgical Biologics the infrastructure and other business aspects to assist them with launching their product lines on an international basis. Also, I could not be more pleased with the way our organizations have integrated over the past several months.

At the American Academy of Orthopaedic Surgeons meeting on February 15<sup>th</sup> through February 19<sup>th</sup>, MiMedx had what can be called our "industry introduction." For the first time, we had a display booth as well as a conference room on the floor of the convention center. We had hundreds of physicians visit our booth to discuss HydroFix™, CollaFix™, and AmnioFix™. We had a number of major industry corporations visit with us in our meeting room to review our three product lines for potential strategic alliances. We were fortunate to have with us at the convention one of our Board members, Larry Papasan, who was formerly the president of Smith & Nephew. Larry's industry contacts and knowledge were invaluable.

Our management team left the meeting with everyone in agreement that it could not have been more successful. While we were already enthusiastic about the amnion membrane tissue processing business opportunities, the American Academy of Orthopaedic Surgeons meeting confirmed our expectations that this will be a fast growth opportunity for medical implants. We are still busy researching a number of opportunities, which we will inform you about in the near future. However, we believe that amniotic membrane tissue will prove to be one of the most effective implants that have been used up to this point.

#### THE FUTURE

As we see things today, we have to reiterate the bright future that we think we have at MiMedx Group. Our two initial biomaterials, HydroFix™ and CollaFix™, continue to be developed at a rapid pace. However, as we have highlighted, clearances through the Food and Drug Administration will be a slower process than was initially anticipated due to some philosophical changes in the agency over the last year and a half. However, we will continue to approach things in a professional fashion, and we will persevere. While there are some interesting opportunities for our HydroFix™ product line, we are all quite interested in seeing the commercialization of our CollaFix™ which is truly a "game changer" for soft tissue repair. In the meantime, our AmnioFix™ tissue implants will provide rapid growth for the Company as we await further approvals of CollaFix™ and HydroFix™.

We had discussions with shareholders last year regarding our desire to upgrade our trading platform from the Over the Counter Bulletin Board System. Through research, we found out that the OTC Bulletin Board system was owned by FINRA, and the platform had been put up for sale. In addition, we found out that the Over the Counter Pink Sheet system was being upgraded as a competitor. We further discovered that their trading system was much more robust, and we were trading through that system also. However, we know that Yahoo Finance receives its download for quotes only through the Over the Counter Bulletin Board System which is unfortunate. Our discussions with Yahoo indicated that they had no plans for change anytime soon so quotes through Yahoo will continue to be inaccurate. Therefore, one of our top priorities is to upgrade our trading platform, hopefully by mid-summer.

As far as we know, our shareholder base consists primarily of high net worth individuals who have strong knowledge about the Company. We believe that the Company will be an interesting investment for certain institutional investors as we demonstrate revenue growth and upgrade our trading platform. Both of those goals should be accomplished by mid-summer, unless something unforeseen occurs.

As far as our financial goals are concerned, we have included those in our 2010 year-end press release on March 28<sup>th</sup>. As always, we are attempting to provide shareholders with as much insight as possible into our revenue growth; however, as we have mentioned many times, at this stage of the Company's development, it is difficult to project very accurately because of issues associated with new product regulatory approvals and rate of market acceptance and creating distribution at the same time. However, as our distribution organization matures and we garner more regulatory approvals, and in the case of AmnioFix™, do not have pre-market regulatory constraints, we hope our goals and forecasts will prove more accurate than in the past.

As we mentioned in our press release, we expect our first quarter revenue to be in excess of \$1 million. We expect rapid revenue growth over the next several quarters and years. We have a goal for our second quarter revenue to

be in excess of \$2 million. Our goals are for third quarter revenue to be approximately \$4 million and our fourth quarter revenue to be approximately \$8 million.

As far as profitability is concerned, because all of our product lines have high gross profit margins, we expect profitability to occur by the third quarter of 2011. Because of our strong operating leverage, profits should also grow faster than revenues.

In the two years since I became your Chairman and CEO, we have seen MiMedx Group go from a development stage company to a full operating company. There have been numerous changes in management, processes, procedures, and strategic and tactical direction. We believe that MiMedx Group is now well positioned to become a fast growth member of the medical implant device community. We look forward to reporting our successes to you in the quarters ahead. We also sincerely appreciate your confidence in MiMedx Group and our management and Board of Directors with your investment.

Sincerely yours,



Parker H. Petit  
Chairman and CEO

#### FORWARD LOOKING STATEMENTS

This letter and the accompanying letter from the Company's President and Chief Operating Officer include statements that look forward in time or that express management's beliefs, expectations or hopes. Such statements are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements include, but are not limited to, the prospects for additional product offerings using the Company's proprietary technologies, the prospect and timing of additional regulatory approvals, market acceptance of the Company's products, the statements regarding the Company's business and financial outlook, the Company's ability to raise additional capital and the expected use of funds raised, the Company's ability to upgrade the exchange on which the Company's shares are traded and the timing of the change. These statements are based on current information and belief, and are not guarantees of future performance. Our ability to predict results, financial or otherwise, or the actual effect of future plans or strategies is inherently uncertain and actual results may differ from those predicted depending on a variety of factors. Among the risks and uncertainties that could cause actual results to differ materially from those indicated by such forward-looking statements include that the Company may not be successful in raising its intended amount of capital on satisfactory terms or in the necessary time frame, that unanticipated events may prevent the Company from using the proceeds of any fundraising for the intended purpose, that the Company may require additional capital beyond the amounts referenced in this letter to survive and achieve its goals, which may be difficult or impossible to obtain, that the Company may not succeed in developing new products using its proprietary technologies, that the Company may not receive requisite regulatory clearances and/or approvals to be able to market a full range of products or that such clearances or approvals may be delayed, that the Company may not achieve profitability or that breakeven status may be delayed, that the Company's products may not gain the anticipated acceptance in the marketplace or that acceptance may be delayed, that the Company may not be able to upgrade the platform on which its shares are traded or that the upgrade may not optimize trading in such shares, and the risk factors detailed from time to time in the Company's periodic Securities and Exchange Commission filings, including, without limitation, its 10-K filing for the fiscal year ended December 31, 2009, and its most recent Form 10-Q. By making these forward-looking statements, MiMedx Group, Inc. does not undertake to update those in any manner except as may be required by the Company's disclosure obligations in filings it makes with the Securities and Exchange Commission under the federal securities laws.



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CollaFix HydroFix

Dear Shareholder,

From an operational standpoint, this past year was a transitional and transformational year for MiMedx Group. While we had some disappointments on the sales and regulatory fronts as Pete mentioned in his letter, we also made a significant amount of progress on many operational issues. A sampling of these accomplishments includes:

- Receipt of two HydroFix 510(k) FDA clearances for various sizes and a longer shelf life
- Receipt of two new HydroFix CE Marks for spine applications in Europe
- HydroFix cost reductions of approximately 50%
- CollaFix cost reductions of approximately 75%
- Increased output and efficiency of CollaFix fiber manufacturing modules by more than 50%
- Submitted first CollaFix 510(k) applications which are still in process
- Submitted first CollaFix CE Mark submission for Europe
- Completion of a FDA audit on MiMedx with only one minor observation
- Completion of a FDA audit several weeks ago on Surgical Biologics with zero observations
- Added over 30 sales rep groups in the US and distribution in over a dozen countries
- Exhibited at our first domestic and international trade shows
- Negotiated and executed several Material Transfer Agreements with large Medical Device companies relative to the evaluation of our technology with the potential of securing license agreements.
- Strengthened our Medical Advisory Boards
- Completed numerous pre-clinical and marketing studies further demonstrating the safety and effectiveness of our technologies in various applications
- Identified the need for a resorbable barrier, and targeted amnion processors. Then, signed a merger agreement with market leader, Surgical Biologics

Relative to our production operations, you may recall that we transitioned the production of our collagen fiber from our Tampa Technology Center to our Marietta production facility in the Atlanta area. Since our space in Marietta has no room for expansion and our lease expires later this year, we plan on moving our corporate offices and production operations from Marietta to Kennesaw, where Surgical Biologics (SB) is located. SB has extra space and room for expansion, so we expect to move the corporate offices into the Surgical Biologics space, and then to move CollaFix and HydroFix production to a nearby building.

We have had a very busy and productive year! We began our transformation from being a development company to an operating company in late 2009, and completed execution of the change in 2010. The team at MiMedx has responded very well to the vigorous demands that are incumbent on an organization which is going through such an organizational transformation. With a solid foundation in place, we are now ready for the rapid growth ahead of us.

Sincerely,

William C. Taylor  
President and COO

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