

Highlights

TGI ePTFE Vascular Graft enters pre-clinical trials

Bio-Optimization System™ prototype reviewed by Becton Dickinson

Submitted Vessel Proposal

Increased Capital in 2004

Internationally Renowned Tissue Engineering Expert joins TGI

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Letter from the CEO



The TGI lab, proto-type production facility and offices buzz with the excitement of all of the activity that is happening.

We have experienced an employee growth rate of 40% to support our activities. We anticipate the closing of the 2005 Series A round in September. We continue to look at creative ways to generate capital to fuel our projects.

We continue to stay focused on getting our product to market and our applications to trials. We are very excited about the progress of the vascular graft program. Its success thus far is building momentum for its acceptance. We have attracted the attention of a large cap company in the field with this work.

I am optimistic that our work positions us well for capital raising and pursuing

potential exit strategies.

We plan to have a shareholder meeting at 8:00 AM on September 28, 2005 at the TGI offices. We will present our current status of our projects, offer tours of the facility and review any corporate business at that time. The TGI Team would love to see you if you can make it.

TGI ePTFE Vascular Graft

The current status of our ePTFE (expanded Teflon) Program is highlighted by the recent addition of Dr. Stuart Williams as Executive Director for Vascular Products and our recent successful preclinical study at the University of Arizona in May. The objective of the ePTFE vascular graft program is to exploit the newly discovered rapid endothelial cell sodding technology developed at TGI as part of the initial Phase I Department of Defense Army grant that was completed in 2004. Our current approach has been to validate the sodding technology in this first animal study and, at

the same time, develop our concurrent plans to advance CABG (Coronary Artery Bypass Graft) and AV (Arteriovenous) Fistula priorities aligned with scientific, regulatory, reimbursement, and instrumentation objectives.

In May, Dr. Paul Kosnik and Dr. Gene Boland conducted vascular pressure sodding experiments with the assistance of Dr. Williams and his laboratory. We were able to repeatedly demonstrate production of a vessel using our ePTFE graft.

Also in May, TGI met with

two Washington, DC-based companies (The Biologics Consulting Group and Becker & Associates) to discuss how the FDA will likely consider our ePTFE products. Of note, the initial impression of both companies was that our ePTFE products would likely be considered devices by FDA and under the review of the Center for Devices and Radiological Health with a consult from the Center for Biologics Evaluation and Research on the biologics side. This should greatly enhance our ability to get the product approved in a timely manner by the FDA.



"...transition the BOS™ from design and validation into a manufacturing stage instrument system."

Bio-Optimization System™

We are in the final phases of the BOS™ system testing in preparation for a series of target tests lab verification studies. Representatives from Becton, Dickinson and Company, our co-development partners, recently visited TGI for a series of tests. On the whole, they were satisfied with the performance and capabilities and we are continuing to plan for beta test site initiation this summer.

We have begun world-wide distribution agreement discussions and preliminary indications are that they may focus on the clinical applications of the

system and a reduced R&D version of the BOS™ for the research market. Next steps are finalizing software and hardening the electronics in preparation for commercial manufacture of the system.

For the past six months, we have been working with Kollsman, Inc. of Merrimack, NH to transition the BOS™ from design and validation into a manufacturing stage instrument system. During this period, our team has continued to advance the BOS™ design with an eye toward validation of performance, reproducibility, firmware

validation and fixes, and completing the system documentation requirements. Kollsman will provide TGI with a Contract Manufacturing Transition Plan detailing the timeline, any engineering transition costs and estimated BOS™ unit costs based upon potential BOS™ forecast volumes. We anticipate receipt of Kollsman's proposal in mid-August.

DoD U.S. Army Grant Program

Ligament Project Update

The ligament research team recently had a breakthrough and has developed tissue engineering ligaments with 2-3 times greater ultimate strength than had been previously published. Work is ongoing to mechanically train the ligaments *in vitro** and look at changes in structure and strength. We will be requesting a no-cost extension to the grant

contract because we have slowed the ligament work down in order to focus on the BOS™ project and vascular grafts.

Vessel Grant

The team has begun the planning process for our next vessel grant. Designed to extend our ePTFE Program and, specifically, the hardware kit requirements, this is an important phase in

integrating BOS™ capabilities in a lower-cost, specialized footprint designed to support Operating Room suite requirements. As discussed previously the concepts for this kit are being developed and the grant outline is in process. We anticipate submitting this grant to the Army later this month.

**in vitro* – outside the living body and in an artificial environment

Personnel Update

Internationally Renowned Tissue Engineering Expert Joins Tissue Genesis, Inc.

Dr. Stuart Williams, Professor and Chair of the Biomedical Engineering Department at the University of Arizona, has been named Executive Director for Vascular Products at TGI. With almost three decades of experience in the field, he is recognized internationally as an expert in vascular biology and vascular tissue engineering, and is a leader in endothelial cell isolation technology.

About Dr. Stuart Williams

In addition to heading the University of Arizona's Biomedical Engineering Department, Dr. Williams also holds professorships in the school's Department of Surgery, Department of Physiology and Department of Materials Science & Engineering. Dr. Williams has been honored by numerous high-level science institutions including the National Science Foundation and the National Institutes of Health. He is a member of 19 professional societies and has more than 50 peer-reviewed publications.

Our affiliation with Dr. Williams comes at a critical time as the company begins pre-clinical trials of a set of core medical applications.

Other Key Appointments

Dr. Williams' new position and three other key executive appointments are part of TGI's strategic plan to be a leader in the tissue engineering industry and to move our products into the commercial sector.

Nola Miyasaki was named Corporate Vice President, overseeing corporate governance, investor relations, and the company's growing intellectual property portfolio. She previously served as the former Executive Director and CEO of the State of Hawaii's High Technology Development Corporation and as the former Director of the Falcone Center for Entrepreneurship at Syracuse University. She earned her law degree from the University of California and her degree in Human Biology from Stanford University.

Dr. Eugene Boland was named Senior Scientist in Vascular Engineering. He has an extensive background in cardiovascular tissue engineering and biomimicking materials as well as mammalian cell physiology. Prior to joining Tissue Genesis, he served as the Principal Investigator and lead technical scientist for tissue engineering, biomaterials and cell

physiology projects in two start-up biotech companies, Resodyn Corp in Butte, Montana, and NanoMatrix in Dallas, Texas. Dr. Boland was a member of several important teams in the implantable medical device industry at Cryolife, Inc., Cordis, and St. Jude Medical, Inc. – Heart Valve Division. He received his PhD in Biomedical Engineering from Virginia Commonwealth University and a Bachelor of Science in Biomedical Engineering from Marquette University.

Dr. Hyun Joon Paek, an expert in regenerative cell based therapies for diabetes and cartilage degeneration, was hired to lead the company's research and development in regenerative cell-based medicine, with a special focus on ligaments and diabetes. Dr. Paek is highly skilled in organic synthesis, embryonic cell culture, mammalian tissue culture, as well as animal anesthesia and surgery. He received his Ph.D. in Biology from Brown University, a Masters of Engineering in Polymer Chemistry from Kyoto University in Japan, and his undergraduate degree in Chemistry from the College of William and Mary.

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