

Highlights

Board authorizes Series C Preferred Stock round

Facilities expanded to allow for assembly of TGI 1000™ Cell Separation System

Medical Doctors bring their expertise as new employees at TGI

Surgeons meet to finalize clinical trial protocols to FDA for TGI Vascular Graft

KHON2 News features TGI in two-piece segment by Ron Mizutani

First Quarter Financial Statements prepared by Director of Finance, Kerry S. Nagai

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Letter from the CEO



During the second quarter of 2008, Tissue Genesis continued its efforts in building our company. One of our key strategies is to gain prominence in the industry by entering into FDA approved Clinical Trials in the United States. This quarter, our Chief Medical Officer, Dr. Gary Gentzkow put together a team of world class vascular surgeons to recruit and treat patients enrolled in the trials. Some of the participating facilities will be Veterans Administration Centers, allowing us to, in a way, reciprocate for our Department of Defense research contracts.

The timeframe from when we began this research to our

being in clinical trials this year is truly remarkable. That being said, in this issue, Dr. Gentzkow has provided a summary of what these trials are about, to give some perspective on these efforts.

We are planning to open a Preferred Series C (or Mezzanine) Round later this year. We have some newsworthy events planned beforehand and will price our offering after those are announced. For planning purposes, there will most likely be tax-advantaged and equity-advantaged components in the offering, as have been in the past. Capital raised will, for the most part, be used to help fund clinical trials. If you are interested in adding more Tissue

stock to your portfolio, please contact us.

Please feel free to contact me or stop by our facilities. If you find the opportunity to visit, you will notice that we have expanded to the 12th floor, while maintaining our 11th floor space for growing lab activities. Already here in Hawaii, we have begun the assembly and testing process of the TGI 1000™ Cell Separation System for researchers.

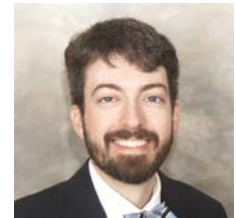
Our Board of Directors met this quarter and reviewed our strategies and operations. The date of our Annual Shareholders Meeting will be announced later this year.

Medical Doctors join TGI Team



Dr. Rex Chang has joined the team as the Director of Business Development. He has expertise and training in the life sciences and healthcare sectors. Prior to joining Tissue Genesis, Dr. Chang consulted in the healthcare sector in emerging markets and did many years of legal work for global life science companies. Dr. Chang is both an attorney and physician. He received his J.D. from Boalt School of Law at UC Berkeley and his M.D. degree from New York University's School of Medicine.

Dr. Kevin Lye leads the efforts of Tissue Genesis in developing product interface and methodology for clinicians who use the company's technology.



Exploration of, and application to, new fields of use also plays a large role in his responsibilities. Dr. Lye comes to Tissue Genesis with ten years of experience in post-graduate training, including a research fellowship at Yale University. He received his M.D. degree from Wake Forest University School of Medicine.

Update on TGI Vascular Graft Trials



Tissue Genesis is entering an important new phase in its development with the initiation of its first clinical study. The TGI 1000™ technology will

used to obtain adipose-derived stromal cells (ASC) from patients' abdominal fat, which will be placed onto the inside of a synthetic graft. The graft will be used to treat patients who have clogged arteries in their lower legs.

Current technologies to treat this condition are inadequate. First-line treatment is to bypass the arteries with the patient's own veins. But many patients do not have satisfactory veins available, and a variety of synthetic grafts are used. Additionally, at one year after surgery fewer than half of these grafts remain open because the body recognizes the unnatural surface and forms a blood clot. Coating the surface with the patient's own ASC provides a natural surface that enhances long-term patency, as we have shown in recent animal studies.

We have designed a feasibility study comparing Tissue Genesis' technology to the leading synthetic graft. Expected to study 60 patients in ten distinguished vascular surgery centers in the U.S., the trial utilizes state of the art imaging techniques to show whether or not grafts remain open during the one year study. The study centers include universities, Veterans

Administration hospitals, and large private practices. All the investigators are experienced vascular surgeons known to their colleagues for surgical excellence as well as research experience. Included are Duke, Yale, Massachusetts, Miami, Albert Einstein, and Indiana Universities.

With input from all the investigators a protocol was drafted, reviewed, and revised. A meeting of investigators was held in Chicago in May to discuss and finalize protocols. The protocol will be submitted to FDA as part of our IDE submission this Fall, after which final preparations will be made to start enrolling patients. We expect to enroll patients during 2009 and complete the study in 2010. A successful study should lead to a definitive larger study designed to result in FDA approval of the product.

Dr. Gary Gentzkow, Chief Medical Officer, heads the Company's efforts to move its research programs on fat derived cells into clinical studies. Dr. Gentzkow has 30 years experience developing new medical therapies - pharmaceutical, medical devices, biological, and cellular and has been a consultant to companies developing these new technologies.

KHON2 News Features Tissue Genesis

In May, Hawaii television KHON2's Ron Mizutani visited Tissue Genesis to learn more about our company's story and how we are doing our part to improve the lives of soldiers and veterans.

"Regenerative medicine and self-healing is no longer just a dream," explains Ron Mizutani, "The technology is gaining international recognition in the scientific community and much

home. Scientists with Tissue Genesis are making remarkable discoveries in labs right in Kaka'ako. Breakthroughs in regenerative medicine could soon change the ways soldiers recover and rebuild their lives."

For the full story please visit KHON2 at:

www.khon2.com/news/local/18917694.html

www.khon2.com/news/local/18917804.html

"...initiation of its first clinical study...expected to study 60 patients in ten distinguished vascular surgery centers in the U.S. ..."

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