ANGEION CORP/MN
Form 10-K
January 29, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
for the fiscal year ended October 31, 2009.
OR
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the transition period from _____ to _____.

Commission File Number 001-13543

ANGEION CORPORATION
(Exact name of registrant as specified in its charter)

Minnesota	**41-1579150**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

350 Oak Grove Parkway, Saint Paul, Minnesota 55127-8599
(Address of principal executive offices)

Registrant s telephone number, including area code: **(651) 484-4874**

Securities registered pursuant to Section 12(b) of the Act: **Common Stock, $0.10 Par Value**

Securities registered pursuant to Section 12(g) of the Act: **None**

Name of Exchange on Which Registered: NASDAQ
Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act:
Yes o No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act:
Yes o No x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes x No o
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act:

Large Accelerated Filer o Accelerated Filer o Non-Accelerated Filer o Smaller Reporting Company x

The aggregate value of the Company s Common Stock held by non-affiliates of the Company was approximately $9,338,000 as of the last day of the Company s most recently completed second fiscal quarter, when the last reported sales price was $2.22 per share.

As of January 15, 2010, the Company had outstanding 4,157,066 shares of Common Stock, $0.10 par value.

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PART I

Item 1. Business.

Unless the context requires otherwise, references in this Form 10-K to Angeion or the Company means Angeion Corporation, while references to Medical Graphics refer to Medical Graphics Corporation, a wholly-owned subsidiary of Angeion. Angeion and Medical Graphics are collectively referred to as the Company.

Overview

The Company is a medical device manufacturer with revenues of $25.5 million for the year ended October 31, 2009. Domestic product sales and service revenue accounted for 78.6% of fiscal 2009 revenue while international product sales accounted for the remaining 21.4%. The Company, through its Medical Graphics Corporation subsidiary, designs and markets non-invasive cardio-respiratory diagnostic systems that are sold under the MedGraphics and New Leaf brand and trade names. These cardio-respiratory diagnostic systems have a wide range of applications in healthcare, wellness and health and fitness. Revenue consists of equipment and supply sales as well as service revenue. Equipment and supply sales reflect sales of non-invasive cardio-respiratory diagnostic equipment and aftermarket sales of peripherals and supplies. Service revenue consists of revenue from extended service contracts, non-warranty service visits and additional training.

(a) General Development of Business.

Angeion Corporation was incorporated in Minnesota during May 1986 for the purpose of developing, manufacturing and selling medical products. In July 1988, Angeion merged with Verde Ventures Incorporated, a public company organized in March 1987 that had no operations at the time of the merger and the surviving legal entity changed its name to Angeion Corporation.

During the period from 1990 through March 2000, Angeion was engaged in the development and sale, directly and through joint ventures, of implantable cardioverter defibrillator (ICD) systems. During 1999 and 2000, the Company completed two restructurings, granted a series of non-exclusive licenses to its ICD technology and discontinued its ICD operations.

In December 1999, Angeion acquired Medical Graphics Corporation.

On June 17, 2002, Angeion filed a voluntary petition for reorganization under Chapter 11 of the federal bankruptcy laws (Chapter 11 or Bankruptcy Case) in the United States Bankruptcy Court for the District of Minnesota and in the process converted $20.0 million of convertible notes into 95% of the Company s common stock. Angeion emerged from Bankruptcy in October 2002.

(b) Financial Information about Industry Segments.

The Company is a medical device manufacturer that designs and markets non-invasive cardiorespiratory diagnostic systems. All of the Company s cardiorespiratory diagnostic products are similar because they have a common functional testing platform the measurement of air flow and respiratory pressures and, in most cases, the analysis of inhaled and exhaled gases such as oxygen and carbon dioxide. Consequently, the Company operates in a single industry segment: the research, development, manufacture and marketing of non-invasive cardiorespiratory diagnostic systems.

(c) Narrative Description of Business.

General

Through its Medical Graphics Corporation subsidiary, Angeion designs and markets non-invasive cardiorespiratory diagnostic systems that are sold under both the MedGraphics and New Leaf brand and trade names. These cardiorespiratory diagnostic systems have a wide range of applications in healthcare, wellness, and health and fitness.

Healthcare professionals use these cardiorespiratory diagnostic systems to diagnose shortness of breath and lung diseases such as asthma, emphysema, or Chronic Obstructive Pulmonary Disease (COPD), and manage related treatment. Through breath-by-breath analysis, some of the Company s cardiorespiratory diagnostic systems measure disability as well as fitness or conditioning levels to help physicians diagnose and treat heart diseases such as heart failure and coronary disease. The Company also sells its cardiorespiratory diagnostic systems and services to clinical research customers for use in conducting safety and efficacy clinical trial studies both in the United States and internationally. Other health professionals use cardiorespiratory diagnostic systems to measure calorie consumption and to prescribe safe and effective exercise in rehabilitation, weight management, general fitness, and athletic performance. All of these applications are accomplished by measuring air flow and the concentrations of inhaled and exhaled gases such as oxygen and carbon dioxide while a person is at rest, or exercising on a bike or treadmill. Professionals use this same assessment of gases and air flow to determine nutritional requirements of critically-ill patients in a hospital or to design a weight loss program for health club members wishing to assess the number of calories they should consume and burn daily.

Primary MedGraphics brand products include pulmonary function (PFT) and cardiopulmonary gas exchange (GX) testing systems. All MedGraphics systems are designed to be simple and easy-to-use while at the same time provide the flexibility to address the specific needs of hospitals, clinics and physician offices. MedGraphics products, except for certain original equipment manufacturer (OEM) products, are generally sold with a personal computer, full color monitor, printer and other peripherals.

The Company also sells one of its cardiorespiratory diagnostic systems together with other consumable products under the New Leaf brand to consumers through health and fitness clubs, personal training studios, weight loss centers and other retail outlets. These fitness products provide the consumer with a personalized exercise plan based on an assessment of the individual s level of fitness and metabolism. The assessment is performed at a health club or personal training studio equipped with one of the Company s VO_2 assessment systems. A New Leaf Assessment will measure the metabolism of an individual who is exercising and correlate that metabolism to the individual s heart rate. The participating consumer must purchase an assessment package containing the single user materials required for the VO_2 assessment and may also purchase a heart rate monitor and watch to help that consumer exercise at the correct intensity level to achieve the desired results for weight loss, general fitness improvement or athletic performance.

Pulmonary Function Systems

Health care professionals use assessment of pulmonary function to diagnose lung diseases such as COPD, asthma and emphysema, and manage treatment of their patients. Pulmonary function applications include screening asthma patients, pre-operative and post-operative assessment of heart and lung surgery patients, evaluating lung damage from occupational exposures and documenting responses to therapy.

These pulmonary function systems fall into three major product categories: Spirometry, Complete Pulmonary Function and Body Plethysmography. These products are sold under the MedGraphics name.

Spirometry. Spirometry provides measurements of airflow, lung volume and elastic/mechanical properties. The CPF-S/D USB spirometer is comprised of a flow measurement module and a personal computer (PC). The spirometer can serve as a platform that can be upgraded to either a complete pulmonary function or cardiopulmonary exercise system.

Complete Pulmonary Function Systems. The Ultima/PF Series is MedGraphics complete pulmonary function system. The Ultima/PF is available as a desktop or cart-mounted module that performs rapid, non-invasive assessment of an individual s lung volumes, respiratory pressures and gas diffusion in addition to spirometry measurements.

Body Plethysmograph Systems. The Platinum Elite Series comprises MedGraphics body plethysmograph system. A body plethysmograph is an enclosed metal and clear acrylic chamber that offers the most sensitive method for measuring chest wall movement. The patient sits inside the chamber and undergoes diagnostic pulmonary function tests. MedGraphics medical design Platinum Elite Series minimizes patient anxiety and discomfort while maximizing accuracy. The system s design optimizes patient comfort with a clear-view acrylic enclosure and allows testing of a broad population including pediatric patients and individuals in wheelchairs.

The Platinum Elite Series is available in two configurations:

Platinum Elite DL. The Platinum Elite DL performs spirometry, measures the total volume of air in the lung and resistance to airflow in the airways of the person s lungs. It also performs the diffusion test in the same manner as the Ultima/PF.

Platinum Elite DX. The Platinum Elite DX performs all the same tests as a Platinum Elite DL, and adds an additional lung volume measurement.

All MedGraphics pulmonary function products use the patented preVent™ pneumotach, a disposable/cleanable mouthpiece/flow measurement device that eliminates concern over the transmission of infectious diseases. The preVent pneumotach gives all MedGraphics products the capability to perform spirometry testing to measure the flow rates, volumes (capacities) and mechanical properties of the lung. MedGraphics pulmonary function products use a patented expert system, Pulmonary Consult, to assist physicians in the interpretation of test results.

Applications of MedGraphics pulmonary function products include enabling the early detection of lung disease, evaluating the effect of medication, monitoring patients with chronic disease, diagnosing lung diseases (i.e. COPD, asthma and emphysema), managing treatment, assessing the surgical risk of lung transplant and lung reduction candidates and evaluating the impact of diseases such as neuromuscular disease on breathing.

MedGraphics pulmonary function products ease of use, infection control features, compact, lightweight design, connectivity and mobility option attract a wide variety of customers, including pulmonary laboratories in hospitals, clinics, physician offices, occupational medicine clinics, asthma/allergy practices, and clinical research centers worldwide.

Cardiopulmonary Exercise Testing Systems

MedGraphics cardiopulmonary exercise (CPX) testing systems measure functional capacity, fitness or conditioning levels, evaluate prognostic criteria for surgical procedures as well as help physicians diagnose heart and lung diseases. This is accomplished by measuring the volume of air and concentrations of oxygen and carbon dioxide as they enter and leave the lungs while a person exercises on a machine such as a bike or treadmill.

The Ultima/CPX systems measure each breath using a patented breath-by-breath methodology and the same patented preVent pneumotach as the pulmonary function systems. MedGraphics cardiopulmonary exercise systems include a patented oxygen analyzer, a carbon dioxide analyzer and gas sampling and data reporting, including a patented expert system, Exercise Consult, to assist physicians in the evaluation of the information obtained from cardiopulmonary exercise assessments.

MedGraphics systems can also perform measurements of individuals at rest to determine nutritional requirements of critically-ill patients or individuals wishing to assess the number of calories burned per day, which is termed energy expenditure. This measurement is known as a metabolic assessment and is marketed by Medical Graphics as the Ultima/CCM option. Configurations using both the CPX and CCM applications are marked as an Ultima/MAX system.

The Ultima Series is sold in the following different configurations:

Ultima/CPX/D. This is a basic exercise testing system that measures an individual s fitness level while exercising and measures the ability to perform work (functional capacity) or activities of daily living. The Ultima/CPX/D can also be used in conjunction with other manufacturers stand-alone ECG systems. The electrocardiogram, which measures heart functions, is generally referred to as an ECG.

Ultima/CardiO$_2$. This configuration adds an integrated 12-lead electrocardiogram stress option.

Ultima/CCM/D. This basic metabolic assessment system measures the nutritional requirements of a patient at rest and during mechanical ventilation in the critical care unit.

CPX/Express. This portable, self-contained exercise assessment system measures the functional capacity of a patient at rest and during exercise.

CCM/Express. This portable, self-contained metabolic assessment system measures the nutritional requirements of a patient at rest and during mechanical ventilation in the critical care unit.

VO2000. The VO2000 is a portable/ambulatory version that can transmit data via telemetry. In addition to uses for exercise and nutritional requirements, these portable and wearable products include assessment of work capacity in occupational medicine and physical therapy as well as field training of amateur and elite athletes during participation in their actual events. The VO2000 technology platform, reconfigured as a VO2PAS, is a key component of the Company s New Leaf Active Metabolic Training™ System health and fitness product.

Applications for the Ultima and VO2000 exercise and metabolic systems include distinguishing between cardiovascular and pulmonary disease, screening for early signs of cardiac and pulmonary dysfunction, establishing exercise prescriptions and training programs and evaluating the efficacy of prescribed therapy and determining appropriate nutritional supports requirements. Customers include

hospital cardiopulmonary laboratories, cardiology and pulmonary office-based clinics, critical care units, cardiac rehabilitation units, weight loss clinics, human performance laboratories and health clubs.

Cycle Ergometers and Treadmills

The Company offers several models of cycle ergometers providing healthcare professionals and patients a tool for more successful outcomes in clinical rehabilitation and athletic training. A cycle ergometer is a specially-designed stationary exercise bicycle that can operate at a broad spectrum of resistance levels while a treadmill is a motorized walking/running surface that can operate at different inclines to produce a range of work levels. Medical Graphics has cycle ergometers and treadmills that are used in diagnostic, rehabilitation, training and sports medicine applications. The ergometers and treadmills are used and controlled by the Company s cardiopulmonary exercise testing systems.

Competition

The industry for companies selling cardiopulmonary diagnostic systems is competitive. There are a number of companies that currently offer, or are in the process of developing, products that compete with products offered by Medical Graphics. The Company s competitors include both large and small medical companies, some of which have greater financial and technical resources and broader product lines. CareFusion, Medisoft, Cosmed and nSpire Health are the principal competitors for the Company s MedGraphics branded products. The Company believes that the primary competitive factors in its markets are product features, customer service, price, quality, product performance, market reputation, breadth of product offerings and effectiveness of sales and marketing efforts. The Company believes its MedGraphics brand product quality, product performance, market reputation and customer service are true differentiators that will contribute to future growth.

The Company s New Leaf branded products for the health and fitness market have a few competitors, which include metabolic measurement systems (Korr Medical and Cosmed), nutrition education and lifestyle enhancement software (e-Diets) and weight loss programs (Jenny Craig and Weight Watchers). The Company believes that its proprietary technology, expert-designed exercise programs and its training and education service provide a notable and unique advantage in the weight loss, general fitness and athletic performance markets.

The Company believes competition based on price will continue to be an important factor in customer purchasing patterns as a result of healthcare cost containment pressures in the health care industry. Price competition may exert downward pressure on prices the Company is able to charge for its products. There can be no assurance that it will be able to offset any downward price pressure through corresponding cost reductions. Any failure to offset this pressure could have an adverse effect on the Company s business, results of operations or financial condition.

Any product developed by the Company that gains regulatory approval will have to compete for market acceptance and market share. The timing of market introduction of competitive products could adversely affect the competitiveness of Medical Graphics products. Accordingly, the relative speeds with which the Company can develop products, complete clinical testing and the regulatory approval process and supply commercial quantities of the product to the market are important competitive factors. The Company expects that competition will also be based on many factors, including device size and weight, longevity, ease of programmability, ability to provide diagnostic capability, product reliability, physician familiarity with the device, patent protection, sales and marketing capability, third-party reimbursement policies, reputation and price. The Company has protected its products with various patents and trademarks when possible.

Manufacturing

Medical Graphics currently designs and assembles all major sensor components of its cardiopulmonary diagnostic systems including its data acquisition systems, flow measurement sensors, gas sample lines, gas chromatograph, nitrogen analyzer, CO_2 analyzer and oxygen analyzers. Company-designed sheet metal, electrical components, printed circuit boards and some measurement devices are purchased from outside vendors and are tested, assembled and packaged by Medical Graphics personnel into fully integrated systems. Medical Graphics also acquires general-purpose computers, monitors and printers from a variety of sources and integrates its proprietary software modules into these systems. Medical Graphics acquires its cycle ergometers and treadmills from third parties.

Medical Graphics Quality Management System is certified to the requirements of ISO 13485:2003, Canadian Medical Device Regulations Part 1, and European Union Medical Device Directive Annex II regarding the Development and Production of Cardio Respiratory devices. See Regulation by Foreign Governments below for additional discussion of the Company s ISO 13485:2003 certification.

Marketing and Distribution

Medical Graphics markets its products in the United States through two direct sales forces that sell into hospitals, university-based medical centers, medical clinics and physician offices, and also into health and fitness clubs, weight loss clinics and personal training studios. The Company markets its products to a wide range of customers that utilize its non-invasive capabilities across a broad healthcare market continuum.

On the healthcare end of the continuum, the MedGraphics branded products are sold to hospitals, physician offices, clinics, pulmonary physicians, cardiologists, critical care physicians, rehabilitation professionals and physical therapy professionals. The Company also supplies medical equipment and support for clinical research trials. During 2008, the Company concluded its relationship with its largest clinical research customer.

On the fitness end of the continuum, the New Leaf branded products are sold to health and fitness clubs, corporations, weight loss centers, training studios, personal trainers and coaches. Each salesperson is responsible for a specific geographic area and is compensated with a base salary, expense reimbursement and a territory sales goal commission plan.

Outside the United States, Medical Graphics markets its products through a network of independent distributors. During fiscal 2009, Medical Graphics used approximately 63 distributors to sell its products into 60 countries. These distributors typically carry a select inventory of MedGraphics products and sell those products in specific geographic areas, generally on an exclusive basis. International revenues accounted for 21.4% and 20.6% of total revenue for the years ended October 31, 2009 and 2008, respectively. All of Medical Graphics international sales are made on a United States dollar-denominated basis to distributors.

International sales involve certain risks not ordinarily associated with domestic business including fluctuations in the purchasing power of local currencies, reliance on distributors and country-specific policies and procedures. The Company does not have direct exposure to currency exchange rates as all sales are dollar-denominated.

Medical Graphics executes multiple sales and marketing strategies both domestically and internationally. The Company s most successful sales and marketing tactics include product

demonstrations that emphasize technological capabilities, breadth of services and unmatched customer service. In addition to onsite product demonstrations, the Company annually attends and hosts booth displays at various industry-specific conventions around the world. At these conventions, potential customers/clients have the ability to see and experience the unique features the products offer. Through these global conventions, the Company gains exposure to pulmonologists, respiratory therapists, allergy physicians, exercise physiologists, sports medicine professionals, personal trainers and exercise enthusiasts. Other marketing initiatives include educational seminars, print advertisements, direct mail campaigns and e-marketing campaigns through the (www.medgraphics.com) web site for MedGraphics branded products and (www.newleaffitness.com) for New Leaf branded products.

Research and Development

In 2009, Medical Graphics continued to develop new products and implemented product improvements designed to enhance product reliability and improve margins. The Company s research and development initiatives are targeted for hospitals, clinics and physician s offices as well as the health and fitness club markets. An integral component of the Company s future growth strategies includes developing and introducing additional new products.

Research and development expenses were $3.2 million and $2.4 million for the years ended October 31, 2009 and 2008, respectively.

Intellectual Property

Patents and trademarks are critical in the medical device industry. The Company believes strongly in protecting its intellectual property and has a long history of obtaining patents, when available, in connection with its research and product development programs. The Company also relies upon trade secrets and proprietary know-how.

The Company relies on a combination of patent, trademark and trade secret laws to establish proprietary rights in its products. Medical Graphics currently owns 25 United States patents and is actively developing and obtaining additional patents. These patents cover the various aspects of Medical Graphics core technologies, including gas analysis, pressure and flow measurement, breath-by-breath assessment of gas exchange data analysis and expert system software. The Company employs various Medical Graphics patents in its New Leaf business model. In addition, Medical Graphics has a number of foreign patents with respect to technologies covered by its United States patents.

Foreign patents generally expire 20 years after the date of original application, but vary from country to country. Medical Graphics intends to aggressively enforce its intellectual property rights and has successfully done so in the past. There can be no assurance, however, that these patents, or any patents that may be issued as a result of existing or future applications, will offer any degree of protection from competitors.

United States patents filed on or after June 8, 1995 have a term of 20 years from the date on which the application for the patent was filed. Domestic patents in force on June 8, 1995 and patents issued on applications filed prior to June 8, 1995 automatically have a term that is the greater of the 20 years from the date of filing or 17 years from the patent grant.

Medical Graphics also owns registered trademarks and has applied for other trademarks in the U.S. and certain foreign countries. Medical Graphics owns and actively enforces an array of related copyrights and trademarks. These include but are not limited to: MedGraphics, preVent Pneumotach, BreathPath, BreezeSuite, CPX/D, CCM/D, CardiO2, CPX/Express, CCM/Express, Ultima/PF,

Ultima/CPX, Ultima/CCM, Ultima/PFX, 1085/DX, Elite/Dx, Elite/DL, PF/Dx, Platinum Elite/Dx, Platinum Elite/DL, CPF-S/D, Pulmonary Consult, Exercise Consult, KnowledgeNet and various logos.

Similarly, Medical Graphics owns registered New Leaf trademarks and copyrights and has applied for others including, but not limited to: New Leaf, ExerSmart, ExerScript, PDC Personal Digital Coach, PAS Personal Assessment System, New Leaf Active Metabolic Training, EnerySmart and various logos.

Although patent and intellectual property disputes in the medical device area have often been settled through licensing agreements or similar arrangements, costs associated with these arrangements may be substantial, and there can be no assurance that necessary licenses would be available to the Company on satisfactory terms, if at all. Accordingly, an adverse determination in a judicial or administrative proceeding or failure to obtain necessary licenses could prevent the Company from manufacturing and selling its products, which would have a material adverse effect on the Company s business, financial condition and results of operations.

The Company seeks to protect its trade secrets and proprietary know-how, in part, through confidentiality agreements, non-compete agreements and assignment of invention provisions in agreements with employees, consultants and other parties, as well as through contractual exclusivity with certain suppliers. There can be no assurance, however, that these agreements will not be breached, that the Company would have adequate remedies for any breach, or that the Company s trade secrets will not otherwise become known to or independently developed by competitors.

The Company conducts ongoing evaluations of potential infringement of any proprietary rights of third parties by the products the Company intends to market. Regardless of the Company s efforts to evaluate the potential infringement of any proprietary rights of third parties, however, there can be no assurance that such infringements do not exist or may not arise in the future. There has been substantial litigation regarding patent and other intellectual property rights in the medical device industry. Litigation, which could result in substantial cost to and diversion of effort by the Company, may be necessary to enforce patents issued to or licensed by the Company, to protect trade secrets or know-how owned by the Company, to defend the Company against claimed infringement of the rights of others, and to determine the scope and validity of the proprietary rights of others. Adverse determinations in litigation could subject the Company to significant liabilities to third parties or could require the Company to seek licenses from third parties.

Government Regulation

Most of the products manufactured by the Company are devices as defined in the Federal Food, Drug and Cosmetic Act (the Act) and are subject to the regulatory authority of the Food and Drug Administration (FDA), which regulates the manufacture, distribution, related record keeping, labeling and advertising of such devices. The FDA classified medical devices in commercial distribution into one of three classes, Class I, II or III, following the enactment of the Medical Device Amendments to the Act in May 1976 (the Amendments). These classifications are based on the controls necessary to reasonably ensure the safety and efficacy of medical devices. The Company s New Leaf health and fitness products are not classified as medical devices as defined in the Act.

Many Class I devices have been exempted from pre-market notification requirements by the FDA. The same types of controls the FDA has used on devices since the passage of the Act in 1938 can adequately regulate these products. These general controls include provisions related to labeling, producer registration, defect notification, records and reports and good manufacturing practices. The more comprehensive Quality System Regulation (QSR) has replaced the good manufacturing practice

regulation. As noted below, QSRs include implementation of quality assurance programs, written manufacturing specifications and processing procedures, written distribution procedures and record keeping requirements.

Class II devices are products for which the general controls of Class I devices are deemed not sufficient to assure the safety and effectiveness of the device and thus require special controls. Special controls for Class II devices include performance standards, post-market surveillance, patient registries and the use of FDA guidelines. Standards may include both design and performance requirements. Class III devices have the most restrictive controls and require pre-market approval by the FDA. Generally, Class III devices are limited to life-sustaining, life-supporting or implantable devices. All of MedGraphics branded products are Class II devices.

If the Company does not comply with applicable regulatory requirements, including marketing products only for approved uses, it could be subject to fines, injunctions, civil penalties, recall or seizure of products, total or partial suspension of production, refusal of the government to grant pre-market clearance or pre-market approval for products, withdrawal of approvals and criminal prosecution. In addition, changes in existing regulations or adoption of new governmental regulations or policies could prevent or delay regulatory approval of the Company s products or result in increased regulatory costs. Furthermore, once clearance or approval is granted, subsequent modifications to the approved product or manufacturing process may require a new round of clearances or approvals that could require substantial additional clinical data and FDA review.

Class II Requirements

Section 510(k) of the Act requires individuals or companies manufacturing medical devices intended for use with humans to file a notice with the FDA at least 90 days before introducing a product not exempted from notification requirements into the marketplace. The notice (a 510(k) Notification) must state the class in which the device is classified and the action taken to comply with performance standards or pre-market approval that may be needed if the device is a Class II or Class III device, respectively. Under Section 510(k), a medical device can be marketed if the FDA determines that the device is substantially equivalent to similar devices marketed prior to May 28, 1976. In the past, Medical Graphics has filed notifications with the FDA of its intent to market its systems pursuant to Section 510(k) of the Amendments, the FDA subsequently cleared these systems for commercial sale and Medical Graphics is now marketing the devices under Section 510(k). The action of the FDA does not, however, constitute FDA approval of Medical Graphics products or pass upon their safety and effectiveness.

In addition to the requirements described above, the Act requires that all medical device manufacturers and distributors register with the FDA annually and provide the FDA with a list of those medical devices that they distribute commercially. The Act also requires that all manufacturers of medical devices comply with labeling requirements and manufacture devices in accordance with QSRs, which require that companies manufacture their products and maintain their documents in a prescribed manner with respect to manufacturing, testing and quality control. In addition, these manufacturers are subject to inspection on a routine basis for compliance with the QSRs. The FDA s Medical Device Reporting regulation requires that companies provide information to the FDA on death or serious injuries alleged to have been associated with the use of their products, as well as product malfunctions that would likely cause or contribute to death or serious injury if the malfunction were to recur. The FDA further requires that certain medical devices not cleared with the FDA for marketing in the United States meet specific requirements before they are exported. The FDA has authority to inspect the Company s facilities to ensure compliance with the Act and regulations thereunder. Failure to comply with these regulations could have a material adverse effect on the Company s business, financial condition and results of operations. Medical Graphics is registered as a manufacturer with the FDA and successfully

passed its most recent FDA audit in September 2008. Also, in October 2009, the Company successfully passed an FDA audit assessing the data management and quality assurance for recent clinical research trials.

Regulation by Foreign Governments

The Company s products are also subject to regulation similar to that of the FDA in various foreign countries. ISO 13485:2003 certification indicates that a company s development and manufacturing processes comply with standards for quality assurance and manufacturing process control. ISO 13485:2003 certification evidences compliance with the requirements that enable a company to affix the CE Mark to its products. The CE Mark denotes conformity with European standards for safety and allows certified devices to be placed on the market in all European Union (EU) countries. Since June 1998, medical devices cannot be sold in EU countries unless they display the CE Mark. Medical Graphics received ISO 13485:2003 certification for its development and manufacturing processes in 1998 and has passed annual surveillance and recertification audits since 1998. Medical Graphics has achieved CE certification for its primary cardiopulmonary testing products. There can be no assurance, however, that Medical Graphics will be able to obtain regulatory approvals or clearances for its products in foreign countries. In addition to compliance with ISO 13485:2003 certification, the Company s products also meet Part I of the Medical Device Requirements for Canada and the Medical Device Directive 93/42/EEC Annex II.

Employees

As of January 15, 2010, the Company had 129 full-time and 4 part-time employees. No employees are represented by a collective bargaining agreement and the Company has not experienced any work stoppage. Management believes that relations with its employees are good.

Cautionary Note Regarding Forward-looking Statements

The discussions in this Form 10-K in Business and Management s Discussion and Analysis of Financial Condition and Results of Operations contain forward-looking statements about Angeion s future financial results and business prospects that by their nature involve substantial risks and uncertainties. You can identify these statements by the use of words such as anticipate, believe, estimate, expect, project, intend, plan, will, target, and other words and terms of similar meaning in connection with any discussion of future operating or financial performance or business plans or prospects. Our actual results may differ materially depending on a variety of factors including: (1) national and worldwide economic and capital market conditions; (2) continuing cost-containment efforts in our hospital, clinics, and office market; (3) any changes in the patterns of medical reimbursement that may result from national healthcare reform; (4) our ability to successfully operate our business, including successfully converting our increasing research and development expenditures into new and improved cardiorespiratory diagnostic products and services and selling these products and services under the MedGraphics and New Leaf brand names into existing and new markets; (5) our ability to maintain our cost structure at a level that is appropriate to our near to mid-term revenue expectations and that will enable us to increase revenues and profitability as opportunities develop; (6) our ability to achieve constant margins for our products and consistent and predictable operating expenses in light of variable revenues from our clinical research customers; (7) our ability to expand our international revenue through our distribution partners and our Milan, Italy representative branch office; (8) our ability to successfully defend ourselves from product liability claims related to our cardiorespiratory diagnostic products and claims associated with our prior cardiac stimulation products; (9) our ability to defend our existing intellectual property and obtain protection for intellectual property we develop in the future; (10) our ability to develop and maintain an effective system of internal controls and procedures and disclosure

controls and procedures; and (11) our dependence on third-party vendors. These and other factors are summarized below in this Form 10-K under Risk Factors.

Item 1A. Risk Factors.

The Company s results are affected by the changes in worldwide economic and capital markets conditions.

The Company derived 21.4% and 20.6% revenues in 2009 and 2008, respectively, from outside the United States. The Company s business may be adversely affected by factors in the United States and other countries that are beyond its control, such as downturns in economic activity or labor conditions in a specific country or region.

The Company s success will depend on its ability to sell its MedGraphics cardiorespiratory products into its core hospital, clinics and physician office market.

The Company sells its MedGraphics brand cardiorespiratory diagnostic systems and services to hospitals, clinics and physician offices. As a result of the disruptive and uncertain economic conditions that emerged in the second half of calendar 2008, continued in 2009 and the related cost-containment measures initiated by these customers, the Company believes that it may encounter a challenging environment for the sale of its MedGraphics products in fiscal 2010.

Healthcare policy changes, including legislation pending in Congress to reform the U.S. healthcare system, may have a material adverse effect on us.

In response to perceived increases in health care costs in recent years, there have been and continue to be proposals by the Obama administration, members of Congress, state governments, regulators and third-party payors to control these costs and, more generally, to reform the U.S. healthcare system. Some of these proposals would limit the prices we are able to charge for our products or the amounts of reimbursement available for our products, and could limit the acceptance and availability of our products. We cannot predict whether legislation will be enacted by the current Congress, the final form any legislation might take or the effects of such legislation. If legislation is enacted and depending on the form it takes, it could change the way healthcare is developed and delivered, and may affect numerous aspects of our business.

If the Company is unable to regain profitability beyond 2010, its liquidity may be adversely affected.

Although it was profitable in fiscal 2006 and 2007, the Company was unprofitable in fiscal 2008 and 2009 and had an accumulated deficit of $5.7 million as of October 31, 2009. While the Company believes that its existing cash balance of $11.2 million at October 31, 2009 will be adequate to support operations for the next fiscal year or more, the Company must ultimately regain profitability or obtain additional financing to be able to meet its future cash flow requirements, and there can be no assurance that it will be able to do so.

The financial soundness of the Company s vendors could affect its business and results of operations.

The Company relies on third party vendors for certain components used in the Company s products. A number of significant components, such as capacitors, batteries and integrated circuits, are purchased from sole source suppliers. Although the Company attempts to maintain sufficient quantities

of inventory of these components to minimize production delays or interruptions, there can be no assurance that the Company will find suitable alternatives at reasonable prices, if at all, or that any alternatives will remain available to the Company. The Company s inability to obtain acceptable components in a timely manner or find and maintain suitable replacement suppliers for components would have a material adverse effect on the Company, including its ability to manufacture its products. As a result of the disruptions in the financial markets and other macro-economic challenges currently affecting the economy of the United States and other parts of the world, the Company s vendors may experience cash flow concerns. As a result, vendors may increase their prices, reduce their output or change terms of sales. Any demands by vendors for different payment terms may adversely affect the Company s earnings and cash flow.

Technology in the medical device industry changes rapidly.

Rapid technological change, changing customer needs and frequent new product introductions are all characteristics of the medical device industry. We face intense competition from other device manufacturers that may have access to greater resources. Our products may be rendered obsolete as a result of future innovations. Our competitors may succeed in obtaining regulatory approval and introducing products before we do. Any of these developments could have a significant negative impact on our business and results of operations.

The Company s future operations are dependent upon variables outside of its control.

Successful implementation of the Company s business plan is dependent on the interaction of many variables, including the effects of changing industry conditions and new competition. While the Company believes that its business plan reflects reasonable judgments in assessing those risks, there can be no assurance that influences not foreseen by the Company will not adversely affect its ability to execute its business plan strategies. While the Company believes that its business plan projections are in line with achievable performance levels, there can be no assurance that the Company will be able to obtain, and sustain, projected sales revenue.

Protection of Intellectual Property is critical to the Company s business.

Patents and trademarks are critical in the medical device industry. The Company believes strongly in protecting its intellectual property and has a long history of obtaining patents, when available, in connection with its research and product development programs. The Company owns a number of United States and foreign patents. The Company also owns certain registered trademarks, and has applied for other trademarks in the United States and certain foreign countries. There can be no assurance that patents and trademarks will be granted in the future, or that any patents and trademarks that the Company now holds or may be granted, or under which it has held license rights, will be valid or otherwise be of value to the Company. Even if the Company s patents and trademarks are valid, others may be able to introduce non-infringing products that are competitive with those of the Company. Competitors of the Company may also hold or be granted patents that are not licensed to the Company.

Although patent and intellectual property disputes in the medical device area have often been settled through licensing agreements or similar arrangements, costs associated with such arrangements may be substantial, and there can be no assurance that necessary licenses would be available to the Company on satisfactory terms or at all. Accordingly, an adverse determination in a judicial or administrative proceeding or failure to obtain necessary licenses could prevent the Company from manufacturing and selling its products, which would have a material adverse effect on the Company s business, financial condition and results of operations.

The Company seeks to protect its trade secrets and proprietary know-how, in part, through confidentiality agreements, non-compete agreements and assignment of invention provisions in agreements with employees, consultants and other parties, as well as through contractual exclusivity with certain suppliers. There can be no assurance, however, that these agreements will not be breached, that the Company would have adequate remedies for any breach, or that the Company s trade secrets will not otherwise become known to or independently developed by competitors.

The Company is dependent upon its Senior Management and Other Key Personnel.

The Company s success depends largely on effective leadership from its senior management and other key personnel. Moreover, competition for qualified personnel with sufficient and relevant experience in the medical device industry is intense. Accordingly, the loss of the services of such individuals, or the inability to hire additional key individuals as required, could have a material adverse effect on the Company, including its current and future product development efforts.

Anti-Takeover Provisions in Minnesota law may make a hostile takeover of the Company s business more difficult.

The Company is governed by the provisions of Sections 302A.671 and 302A.673 of the Minnesota Business Corporation Act. These anti-takeover provisions could potentially operate to deny shareholders the receipt of a premium on their common stock and may also have a depressive effect on the market price of the Company s common stock. Section 302A.671 generally provides that the shares of a corporation acquired in a control share acquisition have no voting rights unless voting rights are approved by the shareholders in a prescribed manner. A control share acquisition is generally defined as an acquisition of beneficial ownership of shares that would, when added to all other shares beneficially owned by the acquiring person, entitle the acquiring person to have voting power of 20% or more in the election of directors. Section 302A.673 prohibits a public corporation from engaging in a business combination with an interested shareholder for a period of four years after the date of the transaction in which the person became an interested shareholder, unless the business combination is approved in a prescribed manner. A business combination includes mergers, asset sales and other transactions. An interested shareholder is a person who is the beneficial owner of 10% or more of the corporation s voting stock. Reference is made to the detailed terms of Sections 302A.671 and 302A.673 of the Minnesota Business Corporation Act. The Company has also entered into agreements with certain executive officers that provide for certain benefits upon a change of control. These agreements would make any sale of the Company more expensive to a third party.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

The Company currently leases a 52,254 square foot building for its office, assembly and warehouse facilities located in suburban Saint Paul, Minnesota. The building is also the location of the Company s Medical Graphics subsidiary. The building lease for the Company s present office and manufacturing space, by its terms, will expire on December 31, 2011. The Company also leases 1,390 square feet of office space in Milan, Italy with the lease agreement expiring in December 2012. Annual rental costs of both facilities will be approximately $333,000 for the year ending October 31, 2010. Rent expense for the Company s facilities was $339,000 and $317,000 for the years ended October 31, 2009 and 2008, respectively.

Item 3. Legal Proceedings.

The Company is subject to claims and lawsuits that have been filed in the ordinary course of business. From time to time, the Company brings suit against others to enforce patent rights or to collect debts in the ordinary course of business. There are no known current lawsuits or other litigation that involve the Company. Therefore, management believes that the settlement of all litigation would not have a material effect on the results of operations or liquidity of the Company.

Item 4. Submission of Matters to a Vote of Security Holders.

Not Applicable.

PART II

Item 5. Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

The Company s common stock is traded on the Nasdaq Capital Market under the symbol ANGN. The following table sets forth high and low sales prices as reported by the Nasdaq Capital Market for each quarter of fiscal year 2009 and 2008.

Angeion Common Stock Prices

Fiscal Years	High	Low
2009		
Fourth Quarter	$ 3.97	$ 2.80
Third Quarter	3.86	2.19
Second Quarter	3.14	2.00
First Quarter	4.18	2.45
2008		
Fourth Quarter	$ 5.72	$ 2.80
Third Quarter	7.17	4.77
Second Quarter	8.83	6.51
First Quarter	9.77	5.95

As of January 15, 2010, approximately 330 shareholders of record held the Company s common stock. In addition, nominees for approximately 3,560 shareholders held shares in street name.

Dividends

The Company has not paid any dividends on its common stock. The Company currently intends to retain any earnings for use in its operations and does not anticipate paying any cash dividends in the future.

Equity Compensation Plan Information

Under the Angeion Corporation 2002 Stock Option Plan (the 2002 Plan), the Company had reserved 800,000 shares of its common stock for issuance upon exercise of stock options. As of October 31, 2009, options for 800,000 shares had been granted, 461,850 shares had been issued upon exercise of options, 950 had been forfeited and options to purchase 337,200 shares remained outstanding. In connection with the adoption of the 2007 Stock Incentive Plan described below, the 2002 Plan was amended to provide that no new options could be granted under the 2002 Plan.

At a Special Meeting of Shareholders held on August 22, 2007, the shareholders approved the Angeion Corporation 2007 Stock Incentive Plan (the 2007 Plan) and reserved 250,000 shares of its common stock for issuance under the 2007 Plan. At the 2008 Annual Meeting of Shareholders held on May 20, 2008, the shareholders approved an amendment to the 2007 Plan that increased the authorized shares of common stock for issuance by 300,000 shares. At the 2009 Annual Meeting of Shareholders held on June 3, 2009, the shareholders approved an amendment to the 2007 Plan that increased the authorized shares of common stock for issuance by 100,000 to a total of 650,000 shares. As of October 31, 2009, stock options for 358,587 shares were outstanding, 24,891 shares had been issued pursuant to fully vested restricted stock awards, 230,444 shares were subject to unvested restricted stock awards and 36,078 shares were available for future grant.

The following table provides information as of October 31, 2009 with respect to the shares of the Company s common stock that may be issued under its 2002 Plan and 2007 Plan.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in first column)
Equity compensation plans approved by security holders	695,787	$ 6.13	36,078
Equity compensation plans not approved by security holders			
Total	695,787		36,078

Item 6. Selected Financial Data

In the table below, we have presented certain selected financial data as of and for each of the years in the five-year period ended October 31, 2009. The financial data has been derived from our audited consolidated financial statements. This data should be read in conjunction with Item 7, Management s Discussion and Analysis and Item 8, Financial Statements and Supplementary Data of this Annual Report on Form 10-K.

(In thousands, except per share data)	Years Ended October 31,				
	2009	2008	2007	2006	2005
Statement of Operations Data:					
Revenues	$ 25,479	$ 30,011	$ 38,580	$ 33,651	$ 23,774
Cost of revenues	12,217	14,557	19,106	17,016	12,023
Gross margin	13,262	15,454	19,474	16,635	11,751
Operating expenses:					
Selling and marketing	6,964	8,646	10,107	8,148	7,192
General and administrative	3,996	4,390	4,220	3,209	2,402
Research and development	3,151	2,437	2,820	2,367	2,061
Amortization of intangibles	728	728	733	812	811
Total operating expenses	14,839	16,201	17,880	14,536	12,466
Operating income (loss)	(1,577)	(747)	1,594	2,099	(715)
Interest income	16	163	182	81	34
Income (loss) before taxes	(1,561)	(584)	1,776	2,180	(681)
Provision for taxes	32	102	719	914	9
Income (loss) from continuing operations, net of taxes	(1,593)	(686)	1,057	1,266	(690)
Gain (loss) from discontinued operations, net of taxes				171	(229)
Net income (loss)	$ (1,593)	$ (686)	$ 1,057	$ 1,437	$ (919)
Weighted Average Common Shares Outstanding:					
Basic	4,121	4,090	3,987	3,634	3,606
Incremental effect of options and warrants			366	118	
Diluted	4,121	4,090	4,353	3,752	3,606
Net income (loss) per share - basic:					
Continuing operations	$ (0.39)	$ (0.17)	$ 0.27	$ 0.35	$ (0.19)
Discontinued operations				0.05	(0.06)
Net income (loss)	$ (0.39)	$ (0.17)	$ 0.27	$ 0.40	$ (0.25)
Net income (loss) per share - diluted:					
Continuing operations	$ (0.39)	$ (0.17)	$ 0.24	$ 0.34	$ (0.19)
Discontinued operations				0.04	(0.06)
Net income (loss)	$ (0.39)	$ (0.17)	$ 0.24	$ 0.38	$ (0.25)

	As of October 31,				
	2009	2008	2007	2006	2005
Balance Sheet Data:					
Cash and cash equivalents	$ 11,219	$ 9,047	$ 6,908	$ 4,069	$ 1,072
Working capital	15,152	15,028	14,154	10,204	5,409
Total assets	22,463	22,965	24,533	21,753	16,868
Total current liabilities	5,191	4,900	6,361	6,686	4,598
Total liabilities	5,909	5,689	7,104	7,443	4,935
Total shareholders equity	16,554	17,276	17,429	14,310	11,933

Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations.

Overview

The Company is a medical device manufacturer with revenues of $25.5 million for the year ended October 31, 2009. Domestic product sales and service revenue accounted for 78.6% of fiscal 2009 revenue while international product sales accounted for the remaining 21.4%.

The Company, through its Medical Graphics Corporation subsidiary, designs and markets non-invasive cardio-respiratory diagnostic systems that are sold under the MedGraphics and New Leaf brand and trade names. These cardio-respiratory diagnostic systems have a wide range of applications in healthcare, wellness and health and fitness. Revenue consists of equipment and supply sales as well as service revenue. Equipment and supply sales reflect sales of non-invasive cardio-respiratory diagnostic equipment and aftermarket sales of peripherals and supplies. Service revenue consists of revenue from extended service contracts, non-warranty service visits and additional training.

During the first quarter of fiscal 2009, the Company launched an all-new, updated CCM Express®, which provides accurate resting energy expenditure measurements (REE) for either ventilated or spontaneously breathing patients. The Company expects the added features of the CCM Express to expand the scope of use for this product and its REE function beyond critical care management into cardiology, rehabilitation medicine and other markets.

Revenue for fiscal 2009 decreased by 15.1% to $25.5 million compared to $30.0 million in 2008 while operating expense for fiscal 2009 was $14.8 million, a decrease of 8.4% from $16.2 million in 2008. Fiscal 2009 net loss was $1.6 million, or $0.39 per diluted share, compared to fiscal 2008 net loss of $686,000, or $0.17 per diluted share. During fiscal 2008, the Company concluded its clinical trial program with its largest clinical research customer. As a result of this event, year-over-year revenues were adversely impacted by $1.2 million.

During the first half of fiscal 2008, the Company terminated the employment of 17 employees to allow better management of operating expense and, as a result, recorded severance charges of $369,000. The Company estimates these actions decreased operating expenses for fiscal 2009 by $1.5 million.

The following table contains selected information from our historical consolidated statements of operations, expressed as a percentage of revenue:

	2009	2008
Revenues	100.0%	100.0%
Cost of revenues	47.9	48.5
Gross margin	52.1	51.5
Selling and marketing expenses	27.3	28.8
General and administrative expenses	15.7	14.6
Research and development expenses	12.4	8.1
Amortization of intangibles	2.9	2.5
Total operating expenses	58.3	54.0
Operating loss	(6.2)	(2.5)
Interest income	0.0	0.5
Provision for taxes	0.1	0.3
Net loss	(6.3%)	(2.3%)

The following paragraphs discuss the Company s performance for fiscal years ended October 31, 2009 and 2008.

Revenues

Fiscal 2009 total revenues decreased 15.1% to $25.5 million compared to $30.0 million in fiscal 2008. Domestic product revenues decreased by 16.8% to $16.7 in 2009 compared to 2008 revenues of $20.1 million. International product revenue decreased 9.8% to $5.5 million in 2009 compared to $6.1 million in 2008. Service revenues decreased 14.3% to $3.3 million in 2009 compared to $3.9 million in 2008. The Company continues to face challenges from the adverse effects of the worldwide economic downturn s impact on capital spending by hospitals and clinics.

During 2008 and prior years, the Company sold cardiorespiratory diagnostic systems and services to a large clinical research customer that used the systems and services to conduct safety and efficacy clinical trials both in the United States and internationally. This customer accounted for 4.1% of revenues in fiscal 2008 and no revenue in fiscal 2009 as the Company completed its contract with this customer in the third quarter of 2008. If sales to this customer are excluded, revenue for 2009 decreased by $3.3 million, or 11.5%, compared to 2008.

Gross Margin

Gross margin percentage for 2009 increased to 52.1% of revenues compared to 51.5% in fiscal 2008. During fiscal 2008, due to a change in accounting estimate, the inventory obsolescence reserve increased by $350,000 which negatively impacted gross margin. Excluding this impact, the Company s gross margin percentage for fiscal 2008 would have increased to 52.7%. See note 3, Inventories , in the consolidated financial statements for further discussion. In 2009, the Company s margins were adversely impacted by a decrease in higher margin service revenues in terms of total dollars as well as lower production volumes which caused fixed costs to be spread over fewer units.

Selling and Marketing

Selling and marketing expenses for fiscal 2009 decreased by 19.5% to $7.0 million compared to $8.6 million for fiscal 2008.

Selling and marketing expenses related to sales and sales support personnel, travel and customer support expenses decreased by 19.7%, or $1.1 million, for 2009 compared to 2008. The change is a result of the Company decreasing the number of employees during fiscal 2008 as a response to the slowing sales environment. During fiscal 2008, the Company s operating expense was affected by the write off of $123,000 of obsolete computer equipment and peripherals related to the sales and marketing function. Finally, commission expense decreased by $307,000 in 2009 compared to 2008 corresponding to the previously mentioned decrease in revenue.

General and Administrative

General and administrative expenses for 2009 decreased by 9.0%, or $394,000, to $4.0 million compared to $4.4 million in 2008.

Costs associated with payroll and benefits decreased by $201,000 in fiscal 2009 compared to 2008, mainly as a result of severance charges that were incurred in the first half of the 2008 fiscal year. Professional fees decreased by $203,000 in 2009 compared to 2008 as costs related to SOX compliance declined and audit fees decreased. In addition, there was a $247,000 decrease in general and

administrative expenses for 2009 as compared to 2008 due to changes in the allowance for doubtful accounts, collections that were made on some older accounts that were partially reserved for and decreases in general for receivable balances. This was partially offset by an increase of $166,000 in non-cash stock-based compensation expense due to the issuance of restricted share grants and options on August 28, 2008 and June 3, 2009.

Research and Development

Research and development expenses for 2009 increased by 29.3%, or $714,000, to $3.2 million compared to the same period in 2008.

Personnel-related costs increased by $467,000, or 27.7%, in 2009, compared to the same period in 2008 as the Company expanded its investment in new product development and quality assurance. In addition, project expenses associated with new product development increased by $198,000 for 2009 compared to 2008. The Company introduced the all-new, updated CCM Express®, which provides accurate resting energy expenditure measurements (REE) for either ventilated or spontaneously breathing patients during fiscal 2009. The Company s current new product development initiatives include products targeted for hospital intensive care units, cardiology, dietary, asthma, allergy and primary care physicians, health and fitness club professionals, as well as international markets. In addition, the Company is also developing new functionality and new technologies for use in existing products.

Amortization of Intangibles

Amortization of developed technology was $728,000 for the year ended October 31, 2009, which was flat compared to fiscal 2008.

Interest Income

Interest income for the year ended October 31, 2009 decreased to $16,000 from $163,000 in 2008. The decrease in interest income is principally due to significantly lower market interest rates as the Company moved its invested cash and cash equivalents into investments where the main goal is preservation of capital. The Company is exploring alternatives to increase its interest income while maintaining the highest degree of safety in its investments.

Provision for Taxes

The Company is required to present the provision for taxes as if it were fully taxable in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification 852-740. In prior years, the Company utilized its pre-emergence bankruptcy NOLs in the calculation of its income taxes payable although it is still required to pay U.S. and State alternative minimum taxes (AMT) in certain jurisdictions, even though it has substantial federal and state NOL carry forwards. Due to its loss before taxes in fiscal years 2009 and 2008, the Company did not use any net benefits related to these NOLs. See note 9 to the consolidated financial statements, Income Taxes, in this Form 10-K for additional discussion of the accounting for income taxes and the use of pre-emergence bankruptcy NOLs.

Liquidity and Capital Resources

The Company has financed its liquidity needs over the last several years through revenue generated by the operations of its wholly-owned subsidiary, Medical Graphics Corporation.

The Company had cash and cash equivalents of $11.2 million and working capital of $15.2 million as of October 31, 2009. During 2009, the Company generated $2.3 million in cash from operating activities, primarily from the change in accounts receivable that resulted in a cash inflow of $1.1 million. The decrease in accounts receivable reflects a year-over-year revenue decline of over 15% for 2009. Days sales outstanding (DSO), which measures how quickly receivables are collected, decreased by 8 days between fiscal 2009 and 2008, improving cash flow. Cash flow was also improved by a decrease in inventory levels of $724,000 as the Company s purchasing operations adjusted to the downturn in revenue. The payables balance also increased by $227,000, which positively impacts cash flow, as the Company achieved extended payment terms with various vendors.

During 2009, the Company used $234,000 in cash to purchase of property, equipment and intangible assets. The Company has no material commitments for capital expenditures for fiscal year 2010.

A small amount of cash was generated from financing activities in 2009 mostly related to the exercise of stock options.

The Company believes that its liquidity and capital resource needs for fiscal year 2010 will be met through its current cash and cash equivalents and cash flows from operations.

Critical Accounting Policies

Significant accounting policies adopted and applied by the Company are summarized in note 2 to the consolidated financial statements, Summary of Significant Accounting Policies, which is included in this Form 10-K. Some of the more critical policies include revenue recognition, reserve for inventory obsolescence, allowance for doubtful accounts, income taxes, and impairment of long-lived assets. The following accounting policies are considered by management to be the most critical to the presentation of the consolidated financial statements because they require the most difficult, subjective and complex judgments.

Revenue Recognition. The Company recognizes revenue when persuasive evidence of an arrangement exists, transfer of title has occurred or services have been rendered, the selling price is fixed or determinable and collectability is reasonably assured. The Company s products are sold for cash or on credit terms requiring payment based on the shipment date. Credit terms can vary between customers due to many factors, but are generally 30-60 days. Revenue, net of discounts, is recognized upon shipment or delivery to customers in accordance with written sales terms. Standard sales terms do not include customer acceptance conditions, future credits, rebates, price protection or general rights of return. The terms of sales to both domestic customers and international distributors are identical. In instances when a customer order specifies final acceptance of the system, the Company defers recognition of revenue until all customer acceptance criteria have been met. Estimated warranty obligations are recorded upon shipment.

Service contract revenue is based on a stated contractual rate and is deferred and recognized ratably over the service period, which is typically from one to four years. Deferred income associated with service contracts and supplies was $2,022,000 and $2,005,000 as of October 31, 2009 and 2008, respectively. Revenue from installation and training services provided to domestic customers is deferred until the service has been performed. In the fourth quarter of 2008, the Company changed its policy to recognize revenue related to installation and training if service was not performed within six months from equipment shipment date since the probability these services will be utilized by the customer after that

time is remote based on continued analysis of historical information. The amount of deferred installation and training revenue was $131,000 and $223,000 at October 31, 2009 and 2008, respectively.

When a sale involves multiple deliverables, such as equipment, installation services and training, the amount of the consideration from an arrangement is allocated to each respective element based on the residual method and recognized as revenue when revenue recognition criteria for each element is met. Consideration allocated to delivered equipment is equal to the total arrangement consideration less the fair value of installation and training. The fair value of installation and training services is based on specific objective evidence, including third-party invoices. The assumptions used in allocating the amount of consideration to each deliverable represent management s best estimates, but these estimates involve inherent uncertainties and the application of management judgment.

Reserve for Inventory Obsolescence. We analyze the level of inventory on hand on a periodic basis in relation to estimated customer requirements to determine whether write-downs for excess, obsolete or slow-moving inventory are required. Any significant or unanticipated change in the factors noted above could have a significant impact on the value of our inventories and on our reported operating results.

Allowance for Doubtful Accounts. The Company establishes estimates of the uncollectibility of accounts receivable. Management analyzes accounts receivable, historical write-offs of bad debts, customer concentrations, customer credit-worthiness, current economic trends and changes in customer payment terms when evaluating the adequacy of the allowance for doubtful accounts. The Company maintains an allowance for doubtful accounts at an amount that it estimates to be sufficient to provide adequate protection against losses resulting from collecting less than full payment on receivables. A considerable amount of judgment is required when assessing the realizability of receivables, including assessing the probability of collection and the current credit-worthiness of each customer. If the financial condition of the Company s customers were to deteriorate, resulting in an impairment of their ability to make payments, an additional provision for doubtful accounts might be required. For the year ended October 31, 2009, the allowance for doubtful accounts decreased by $173,000 from the prior year end.

Income Taxes. The Company utilizes the asset and liability method of accounting for income taxes in accordance with FASB ASC 740, Income Taxes. The Company recognizes deferred tax assets or liabilities for the expected future tax consequences of temporary differences between the book and tax bases of assets and liabilities. Each quarter, the Company assesses the likelihood that its deferred tax assets will be recovered from future taxable income. The analysis to determine the amount of the valuation allowance is highly judgmental and requires weighing positive and negative evidence including historical and projected future taxable income and ongoing tax planning strategies. While the Company was profitable for nine consecutive quarters through October 31, 2007, this performance was largely driven by revenues generated from one large, single clinical research customer. That revenue ended in fiscal 2008 and the Company sustained a loss in both fiscal 2009 and 2008.

The Company believes more consistent positive operating results are needed before the valuation allowance should be reduced. Based upon management s assessment of all available evidence, the Company determined that it is more likely than not as of October 31, 2009 that none of its deferred tax assets will be realized. Therefore, at October 31, 2009, a full valuation allowance of $7.2 million has been established against the net deferred tax asset. If the Company determines that it has become more likely than not that part of or all its deferred tax assets will be realized, the Company will be required to partially or fully reduce this valuation allowance. If the Company reduces the valuation allowance, it will be required to allocate this reduction between pre-and post-bankruptcy deferred tax assets in the following manner:

Under the application of FASB ASC 852-740, *Reorganizations*, as amended by FASB ASC 805, *Business Combinations*, when the valuation allowance relating to pre-emergence bankruptcy net operating loss and other deferred tax assets is reversed, tax benefits will be recorded as a reduction to income tax expense. In prior years, the tax benefit from the valuation allowance release would have been credited to intangibles and then to additional paid-in-capital.

The valuation allowance related to post-bankruptcy net operating losses and other deferred tax assets would first affect earnings as a reduction in the provision for taxes and thereafter, the remaining $0.8 million would increase additional paid-in capital as these deferred tax assets represent employee stock-based compensation tax deductions included in the Company s net operating losses.

Stock-Based Compensation. The Company calculates stock-based compensation expense for stock option and restricted stock awards on a straight-line basis over the vesting period of the underlying award.

Determining the appropriate fair value model and calculating the fair value of share-based payment awards requires the input of highly subjective assumptions, including the expected life of the share-based payment awards and stock price volatility. We use the Black-Scholes option-pricing model to value our stock option awards. The assumptions used in calculating the fair value of share-based payment awards represent management s best estimates, but these estimates involve inherent uncertainties and the application of management judgment. As a result, if factors change and management uses different assumptions, share-based compensation expense could be materially different in the future. We are required to estimate the expected term and forfeiture rate and only recognize expense for those shares expected to vest. If the actual forfeiture rate is materially different from the estimate, share-based compensation expense could be significantly different from what has been recorded in the current period.

Impairment of Long-Lived Assets. The Company assesses the recoverability of long-lived assets whenever events or changes in circumstances indicate that expected future undiscounted cash flows might not be sufficient to support the carrying value of an asset. Recoverability of assets to be held and used is measured by a comparison of the carrying value of an asset to future net cash flows expected to be generated by the asset. If these assets are considered to be impaired, the impairment to be recognized is measured as the amount by which the carrying value of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. To date, the Company has determined that no impairment of long-lived assets exists.

Foreign Currency Exchange Risk

All sales made by the Company s Medical Graphics subsidiary are denominated in U.S. dollars. The Company does not currently and does not intend in the future to utilize derivative financial instruments for trading or hedging purposes.

The Company s foreign subsidiaries located in Germany are not operating currently and are being liquidated. Balances remaining with these subsidiaries are currently minimal and the corresponding exposure to foreign exchange rate fluctuations is likewise minimal.

Recently Issued Accounting Standards

In June 2009, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 168, *the FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles*. This statement, which was adopted by the Company during the fourth quarter of fiscal 2009,

modified the Generally Accepted Accounting Principles (GAAP) hierarchy by establishing only two levels of GAAP, authoritative and non-authoritative accounting literature. The FASB Accounting Standards Codification (FASB ASC), also known collectively as the Codification , is considered the single source of authoritative U.S. accounting and reporting standards, except for additional authoritative rules and interpretive releases by the SEC. In accordance with this statement, all accounting references in our financial statements have been updated, replacing SFAS references with FASB ASC references.

During May 2009, FASB ASC 855, *Subsequent Events* was issued. This statement requires all entities to evaluate subsequent events through the date that the financial statements are available to be issued and disclose in the notes the date through which the company has evaluated subsequent events and whether the financial statements were issued or were available to be issued on the disclosed date. FASB ASC 855 defines two types of subsequent events, as follows: the first type consists of events or transactions that provide additional evidence about conditions that existed at the date of the balance sheet and the second type consists of events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after that date. FASB ASC 855 was adopted in the third quarter of fiscal 2009 and did not have a material impact on the Company s consolidated financial statements. The Company has evaluated subsequent events occurring through January 29, 2010, the date on which this Annual Report on Form 10-K was issued.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Our financial instruments consist exclusively of investments in money market funds. The value of these funds will fluctuate based on increases or decreases in prevailing market rates. The Company estimated market risk as the potential decrease in value from a hypothetical 0.5% change in interest rates, which did not cause a material change in the quarter end carrying value. As a result, we do not believe the Company has material market risk exposure.

The Company does transact business in international markets. However, as all foreign contracts are dollar-denominated, there is minimal exposure to the Company due to currency fluctuations.

The Company does not use derivative financial instruments nor do we enter into any futures or forward commodity contracts since we do not have significant market risk exposure with respect to commodity prices.

Item 8. Financial Statements and Supplementary Data.

Management s Report on Internal Controls over Financial Reporting

The Board of Directors and Shareholders
Angeion Corporation
St. Paul, MN

The Company s management is responsible for establishing and maintaining adequate internal control over financial reporting, as that term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on our evaluation under that framework, management concluded that our internal control over financial reporting was effective as of October 31, 2009.

A control system, no matter how well-designed and operated, can provide only reasonable, not absolute, assurance that the control system s objectives will be met. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. In addition, the design of any system of controls is based in part on certain assumptions about the likelihood of future events, and controls may become inadequate if conditions change. There can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

This annual report does not include an attestation report of the Company s independent registered public accounting firm regarding internal control over financial reporting. Management s report was not subject to attestation by the Company s independent registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company to provide only management s report in this annual report.

Report of Independent Registered Public Accounting Firm

To the Shareholders, Audit Committee and Board of Directors
Angeion Corporation and Subsidiaries
St. Paul, MN

We have audited the accompanying consolidated balance sheets of Angeion Corporation and Subsidiaries as of October 31, 2009 and 2008, and the related consolidated statements of operations, shareholders equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of its internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Angeion Corporation and Subsidiaries as of October 31, 2009 and 2008 and the results of their operations and cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

/s/ Baker Tilly Virchow Krause, LLP (FKA: Virchow, Krause & Company, LLP)

Minneapolis, Minnesota
January 29, 2010

ANGEION CORPORATION AND SUBSIDIARIES
Consolidated Balance Sheets
October 31, 2009 and October 31, 2008
(in thousands except share and per share data)

	October 31, 2009	October 31, 2008
Assets		
Current assets:		
Cash and cash equivalents	$ 11,219	$ 9,047
Accounts receivable, net of allowance for doubtful accounts of $110 and $283, respectively	4,510	5,446
Inventories, net of obsolescence reserve of $645 and $597, respectively	4,371	5,143
Prepaid expenses and other current assets	243	292
Total current assets	**20,343**	**19,928**
Property and equipment, net of accumulated depreciation of $3,305 and $2,897, respectively	698	937
Intangible assets, net	1,422	2,100
Total Assets	**$ 22,463**	**$ 22,965**
Liabilities and Shareholders Equity		
Current liabilities:		
Accounts payable	$ 1,771	$ 1,544
Employee compensation	1,375	1,288
Deferred income	1,579	1,531
Warranty reserve	143	157
Other current liabilities and accrued expenses	323	380
Total current liabilities	5,191	4,900
Long-term liabilities:		
Long-term deferred income	718	789
Total Liabilities	5,909	5,689
Shareholders equity:		
Common stock, $0.10 par value, authorized 25,000,000 shares, 4,380,817 and 4,166,457 shares issued and 4,150,371 and 4,091,790 shares outstanding in 2009 and 2008, respectively	415	409
Additional paid-in capital	21,821	20,956
Accumulated deficit	(5,682)	(4,089)
Total shareholders equity	16,554	17,276
Commitments and contingencies (Notes 8, 13, 15)		
Total Liabilities and Shareholders Equity	**$ 22,463**	**$ 22,965**

See accompanying notes to consolidated financial statements.

ANGEION CORPORATION AND SUBSIDIARIES
Consolidated Statements of Operations
(in thousands except per share amounts)

	Year Ended October 31, 2009	2008
Revenues		
Equipment and supply sales	$ 22,173	$ 26,154
Service revenue	3,306	3,857
	25,479	30,011
Cost of revenues		
Cost of equipment and supplies	11,832	14,064
Cost of service revenue	385	493
	12,217	14,557
Gross margin	13,262	15,454

Operating expenses: