ANGEION CORP/MN
Form 10KSB
January 30, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20509

FORM 10-KSB

ý Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the Fiscal Year Ended October 31, 2003.

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 NO. 001-13543

ANGEION CORPORATION

(Name of Small Business Issuer in its charter)

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

350 Oak Grove Parkway, Saint Paul, Minnesota 55127-8599

(Address of principal executive offices)

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

Securities registered pursuant to Section 12(b) of the Act:

None

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, $0.10 Par Value
Warrants for Common Stock Purchase Rights

Check whether the issuer filed all reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act of 1934 after distribution of securities under a plan confirmed by a court:

Yes ý No o

Check whether the issuer: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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 ý No o

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will 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-KSB or any amendment to this Form 10-KSB.o

The issuer s revenues for the year ended October 31, 2003 were $18,712,000.

The aggregate market value of the issuer s common stock held by non-affiliates of the issuer as of January 5, 2004 was approximately $5,096,000, based upon the closing sale price for the issuer s common stock on that date as reported by the Nasdaq SmallCap Market.

There were 3,597,638 shares of the issuer s Common Stock, $0.10 par value per share, outstanding as of January 5, 2004.

Documents Incorporated By Reference: None.

PART I

Item 1. Description of Business.

Unless the context requires otherwise, references in this Form 10-KSB to Angeion or the Company means Angeion Corporation, while references to Medical Graphics or MedGraphics refers to Medical Graphics Corporation, a wholly owned subsidiary of Angeion. Angeion acquired Medical Graphics in December 1999. For periods after December 21, 1999 Angeion and Medical Graphics are collectively referred to as the Company.

In November 2002, Angeion changed its fiscal year from December 31 to October 31. The audited financial statements in this Form 10-KSB cover the year ended October 31, 2003 and the ten-month transition period ended October 31, 2002. Unless the context otherwise provides, all reference to years cover those fiscal periods. To facilitate understanding of the Company s results of operations, the Company has also included in Management s Discussion and Analysis of this Form 10-KSB unaudited results of operations for the twelve months ended October 31, 2002 and the ten months ended October 31, 2001.

(a) General Development of Business.

Events Prior to 2000

Angeion Corporation was incorporated in Minnesota during May 1986 for the purpose of developing, manufacturing and selling medical products. The Company initially used its engineering and manufacturing technologies to custom design and manufacture products to customers specifications, while it devoted its research and development capabilities to designing proprietary 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. Verde Ventures Incorporated, the surviving legal entity, changed its name to Angeion Corporation and continued the business of the pre-merger Angeion Corporation.

In August 1990, the Company established a subsidiary to assume responsibility for the intensified research efforts on the development of a laser catheter ablation system, and in October 1990, the Company acquired a company engaged in the development of an automatic implantable cardioverter defibrillator (ICD) system. Subsequent to this acquisition, Angeion designed, developed, manufactured and marketed products, including ICDs that treat irregular heartbeats (arrhythmias). ICDs are designed to treat abnormally rapid heartbeats in the ventricular (or lower) chambers of the heart, a condition known as ventricular tachycardia (VT), and a severe form of VT known as ventricular fibrillation (VF), that if not terminated will lead to sudden cardiac death. ICDs are electronic devices that are implanted within the body and are connected to the heart with defibrillator leads. These devices monitor the patient s heartbeat and, in the event of VT or VF, deliver an electrical shock to return the heartbeat to normal rhythm. During the period from 1990 through March 2000, Angeion was engaged in the development, design and manufacture of ICDs. During 1999 and 2000, the Company went though two restructurings, granted a series of non-exclusive licenses to its ICD technology and discontinued its ICD operations.

In December 1999, the Company acquired Medical Graphics Corporation.

2000 Developments.

In March 2000, Angeion announced that it had largely completed its assimilation of the Medical Graphics business and intended to focus its future efforts primarily on the markets served by and business

operations of Medical Graphics and the acquisition and development of future businesses that contributed to shareholder value. Angeion entered into separate license agreements with Medtronic, Inc. and Sanofi-Synthélabo under which it granted each company non-exclusive licenses for its ICD technology.

On March 15, 2000, the Company, through Medical Graphics, acquired the operating assets of AeroSport, Inc., a privately held Ann Arbor, Michigan corporation, and obtained an exclusive worldwide license to AeroSport s patented technology. AeroSport was a leading global supplier of gas exchange metabolic analyzers for the health, fitness, and research and education markets. The acquisition of the assets included the purchase of inventory, fixed assets and certain intellectual property for $468,000. In addition, Medical Graphics entered into an exclusive worldwide license agreement for AeroSport s patented technology for royalty payments of 5% of net sales of products covered by those patents up to a maximum of $850,000, with a $700,000 minimum over seven years required to retain those rights.

2001 Developments.

On January 16, 2001, the Company announced that its Medical Graphics subsidiary was adding the Personal Digital Coach to its cardiorespiratory products. The Personal Digital Coach is a proprietary device that provides verbal feedback to the user regarding exercise intensity. The Company announced that it would market this new product to the cardiac rehabilitation, fitness club and weight loss industries through an exclusive OEM distribution agreement with Newlife Technologies Corp., a privately held Virginia corporation.

During the summer of 2001, the Company introduced the New Leaf brand as the umbrella brand name for its planned family of health and fitness products to be marketed to consumers through health and fitness clubs, cardiac rehabilitation centers, weight loss centers and other retail outlets. At that time, the Company introduced the first product to carry the New Leaf brand, the New Leaf Personal Exercise System. The product provides 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 fitness center equipped with one of the Company s VO_2 assessment systems. The participating consumer must purchase a kit containing the single user materials required for the VO_2 assessment and, optionally, a Personal Digital Coach that is then programmed with the user s exercise plan and provides verbal coaching during exercise to help the user exercise at the correct intensity level to achieve the desired results.

2002 Developments.

In March 2002, the Company completed a revision of its agreement with INTER$_X$VENT^{USA}, a Georgia corporation engaged in the business of developing and delivering risk assessment and lifestyle management materials and services to patients for improved cardiovascular health. The Company modified the agreement such that it obtained a perpetual license to use certain INTER$_X$VENT^{USA} intellectual property as part of a custom-developed private label product that is a web enabled self-help lifestyle management program. This new program enables the user to select specific subjects of interest or design a comprehensive program from an array of subjects. Unlike other products offered by INTER$_X$VENT^{USA}, this private label product is being designed for consumer use without the requirement of human intervention, such as in-person or remote mentoring. This significantly broadens the program s potential market and availability. The Company has agreed to make royalty payments of 15% on all amounts received for the program with a $5.00 per participant minimum applicable to each consumer. This new product will carry the New Leaf brand name and be marketed as part of the New Leaf brand of health and fitness products now being introduced to the market.

On June 17, 2002, Angeion Corporation 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 under case number 02-32260. The Joint Modified Plan of Reorganization (Plan) was filed jointly with the holders of the Company s 7-½% Senior Convertible Notes (Notes) due April 2003. During the bankruptcy period, the Company continued to operate as debtor in possession. As debtor-in-possession, the Company operated as an ongoing business, but could not engage in transactions outside the ordinary course of business without approval of the Bankruptcy Court. The Company s subsidiary, Medical Graphics Corporation, was not part of the Chapter 11 filing and continued to do business as usual during the bankruptcy period.

Bankruptcy law empowers a debtor in possession to assume or reject executory contracts and unexpired leases and limits the amount that a landlord may claim. The Company previously leased space in Brooklyn Park, Minnesota that served as office, manufacturing and warehouse space for its discontinued ICD business. In May 2000, the Company had entered into an agreement that terminated its future rental obligations for approximately 64% of its Brooklyn Park space in exchange for a payment of $476,000. In early 2002, the Company signed a sublease with CHF Solutions, Inc. for the balance of the leased Brooklyn Park building. The Company negotiated an amendment with the landlord and CHF Solutions, Inc. to the lease that requires the Company to continue making lease payments subsequent to its filing of the Chapter 11 petition through June 2003, and releases the Company from all other obligations. The Bankruptcy Court approved this amendment on August 21, 2002. As a result, the Company recognized a $292,000 gain by decreasing its liability for future rental obligations. This gain was included in reorganization items.

On September 19, 2002, the Company entered into a Settlement and License Agreement (Settlement Agreement) with Biotronik, Inc. (Biotronik) under which the Company granted to Biotronik a perpetual, non-exclusive license to use the Company s cardiac stimulation technology. In return, Biotronik agreed to pay the Company $4,000,000 in cash. As a result, the Company recorded license revenue of $2,900,000 relating to the Settlement Agreement, which is net of the related transaction expenses of $1,100,000.

On October 24, 2002, the Bankruptcy Court entered an order confirming the Company s Plan. The Plan became effective on October 25, 2002, the first business day after the date of confirmation. Upon the effectiveness of the Plan, Messrs. Arnold A. Angeloni, John C. Penn, Richard E. Jahnke and Jeffrey T. Schmitz constituted the Board of Directors of the Company.

By approving the Plan on October 24, 2002, the Bankruptcy Court also approved the Company s Amended and Restated Articles of Incorporation (the Articles of Incorporation) and Amended and Restated Bylaws (the Bylaws). The Articles of Incorporation grant the Creditors Committee, formed under that Plan of Reorganization (the Creditors Committee) the right to designate four (4) directors at any time. This right terminates on the earlier of: (i) January 1, 2006 or (ii) the date on which the former holders of the Company s 7½% Senior Convertible Notes due April 2003 collectively own less than forty percent (40%) of the outstanding shares of common stock. Until this right is terminated, there will be at least one (1) director serving as a Designee of the Creditors Committee. The unanimous vote of the Designee(s) of the Creditors Committee is required for the Board of Directors to approve (a) a merger of the Company with or into another entity or (b) a sale of all or substantially all of the assets of the Company. The current designee of the Creditors Committee is Jeffrey T. Schmitz.

Under the Bylaws, for a period of three years after the end of the fiscal year in which the Plan was confirmed or until November 1, 2005, no purchase of the Company s common stock may be made by any beneficial owner of 5% or greater of the Company s common stock (or any person who would become a 5% or greater owner as a result of the purchase), unless the transfer is approved in advance by

the Company s Board of Directors. Further, each person that was a beneficial owner of 5% or greater of the Company s common stock immediately following confirmation of the Plan is prohibited from transferring more then 60% of the holder s common stock during the two year period after confirmation, unless the transfer is approved in advance by the Board of Directors.

As of June 17, 2002, the date the Chapter 11 petition was filed with the Court, there were 3,594,627 shares of the Company s common stock issued and outstanding (the Old Common Stock). Under the Plan, all of the Company s Old Common Stock and all existing options and warrants to purchase the Company s Old Common Stock were canceled. To effectuate the Plan, the Company issued a total of 3,594,433 shares of its common stock (i) upon conversion of the Notes and (ii) in replacement of the Old Common Stock (the Replacement Common Stock). The difference between the 3,594,433 shares actually issued under the Plan and the 3,594,627 shares outstanding as of June 17, 2002 reflects a reduction of 194 shares representing fractional shares that were not issued.

Under the Plan, each holder of the Company s Notes and each holder of certain other unsecured claims received the holder s pro rata share of 95% of the Replacement Common Stock. Each holder of the Company s Old Common Stock received a pro rata share of 5% of the Replacement Common Stock and one common stock purchase warrant for each share of Replacement Common Stock (the New Warrants). For each 20 shares of common stock owned prior to the Plan confirmation date, shareholders received one Share of Replacement Common Stock and one New Warrant to purchase one share of Replacement Common Stock at $7.79 per share. The New Warrants expire on October 31, 2007 and are subject to redemption by the Company for $.01 per Warrant at any time after January 1, 2004, if the closing price of the common stock exceeds $9.73 (subject to adjustment) for ten consecutive trading days after January 1, 2004.

The Company also reserved 600,000 shares of its Replacement Common Stock for issuance upon exercise of stock options to be issued to employees pursuant to the Angeion Corporation 2002 Stock Option Plan. The 2002 Stock Option Plan provides, however, that options to purchase no more than 359,463 shares of the Company s common stock may be issued during the first two years after confirmation of the Plan without approval of the Designee of the Creditors Committee.

The effective date of the Company s emergence from bankruptcy was October 25, 2002. For accounting purposes, the Company adopted fresh-start reporting principles in accordance with SOP 90-7 as of October 31, 2002. In accordance with fresh-start reporting, all assets and liabilities were recorded at their respective fair values. An independent third-party appraiser determined the fair values of substantially all of the Company s tangible and intangible assets.

2003 Developments.

Notice for Indemnification.

As previously reported, ELA Medical advised Angeion in a letter dated June 6, 2002 that some of the ICD s formerly manufactured by Angeion were experiencing premature battery depletion. Following the June 6, 2002 letter, Angeion advised the attending physicians of the patients with these ICD s of the problems and provided a recommended procedure to determine what action is required. The text of these letters was reviewed and orally approved by the FDA during a site visit at Angeion. ELA Medical thereafter distributed both letters to physicians who subsequently reported that the devices in question had been implanted in 385 patients, excluding the 14 explantations previously reported in the June 6, 2002 letter. On July 31, 2002, the FDA issued a Field Corrective Action Report providing that the Angeion Lyra Model 2020, 2021, and 2022 ICD s be replaced (Field Corrective Action # Z-1152-2/Z-1154-2) because the devices could stop providing therapy due to premature battery depletion.

ELA Medical subsequently provided notice on June 18, 2003 for indemnification by Angeion for replacement of the ICD s pursuant to Supply Agreements under which Angeion had manufactured and sold the ICDs to ELA Medical and to a Joint Venture of which ELA Medical was a member. ELA Medical has advised Angeion that ELA Medical has been regularly monitoring explantations of the Products in patients and compiling an assessment of the costs borne by ELA Medical, including, without limitation, the costs of (i) locating and contacting patients and customers, (ii) explantation of the recalled Products and implantation of replacement devices, and (iii) replacement devices for all recalled Products through June 30, 2003. Moreover, ELA Medical (i) provided additional information regarding cost breakdown and (ii) included copies of analysis reports for initial explanted devices, and (iii) provided notice of a potential claim made by the family of a deceased patient who was implanted with the recalled ICD in question. ELA Medical reported that between June 6, 2002 and June 30, 2003, a total of 111 explantations have occurred (excluding the first 14 explantations previously reported) and that all of the associated costs and expenses were borne by ELA Medical. ELA Medical estimated that it had suffered costs in excess of 1,090,044 euros (approximately $1,276,000 at October 31, 2003) through June 30, 2003. ELA Medical indicated that it would compile information regarding any additional costs as they become available and would advise Angeion accordingly. ELA Medical has advised Angeion that 226 devices remain implanted in patients.

The Company has insurance policies aggregating $50 million of product liability insurance coverage, subject to $50,000 self-insured retention per occurrence, $500,000 aggregate, which expire on May 11, 2004. The Company has conducted a preliminary investigation into the cause of the premature battery failure and has tentatively determined that an integrated circuit chip is the single cause of the premature battery depletion in the units. Based on the language of its insurance policies, the Company believes that the battery failure is a single occurrence within the meaning of the insurance coverage and that therefore; the applicable self-retention is $50,000. Although one insurance carrier has raised the issue whether this is a single or multiple occurrences and has asserted each explantation is an occurrence, the Company believes that the failures were due to one occurrence and has advised the carrier accordingly. There can be no assurance, however, that a more thorough investigation might not result in additional facts that support other causes of the premature battery depletion. In addition, there can be no assurance that the insurance carrier will agree with the Company s analysis.

The Company believes that although it has some liability to ELA Medical, for several reasons, it is not liable to ELA Medical for the entire amount alleged. The Company further believes that a certain portion of the amount expended by ELA Medical may not be covered by insurance. The Company currently believes that the amount of its potential liability to ELA Medical ranges from $991,000 to $1,276,000 and has recorded a liability of $991,000 at October 31, 2003. The Company also believes it is probable that at least $756,000 of any claims ultimately paid to ELA Medical are recoverable under existing insurance policies. As a result, the Company recorded a loss of $235,000 to reflect its liability associated with this claim. This loss is net of probable insurance recoveries and includes other expenses associated with the claim.

The ultimate amount of both the liability due to ELA Medical and the amount recoverable from the insurance carriers is subject to future development and additional information. The amounts currently estimated for the claim and associated expenses as well as the probable insurance recovery are based on data provided by ELA Medical for explanations that occurred through June 30, 2003 and other information related to the cause of the battery depletion. Since 226 devices remain implanted in patients at June 30, 2003, the amount of the claim may increase. While it is not possible to predict the ultimate amount of the claim or the associated expenses, the Company believes that if the amount of the claim increases, the amount recoverable from the insurance company would also increase. In addition, the Company s liability insurance coverage for claims associated with its ICD products expires on May 11, 2004. The Company may incur additional expenses, which could be substantial, in connection with any purchase of insurance allowing an additional claims reporting period.

Technology License Agreement.

On September 10, 2003, the Company entered into a Technology License Agreement with EPM Development Systems Corporation, d/b/a Newlife (Newlife), under which the Company obtained from Newlife a license related to the design and manufacture of talking heart rate monitors. In return for the license, the Company made a nonrefundable payment of $100,000 and further agreed to pay royalties ranging from $4.00 to $10.00 for each unit sold. The royalties for certain units are limited to the greater of $5.00 for each unit sold within three years or $50,000. Royalties covering the remaining units are limited to $2,000,000 at which time the license becomes fully paid up. There were no royalty expenses incurred under this agreement during the year ended October 31, 2003. The Company markets these talking heart rate monitors as Personal Digital Coaches under the New Leaf weight loss family of products.

(b) Financial Information about Industry Segments.

The Company operates in a single industry segment: the research, development, manufacture and marketing of medical devices and fitness related products, including non-invasive cardiorespiratory diagnostic systems.

(c) Narrative Description of Business.

General

Angeion, through its Medical Graphics Corporation subsidiary, designs non-invasive cardiorespiratory diagnostic systems under the MedGraphics trade name that assist health care professionals in the prevention, early detection and cost-effective treatment of heart and lung disease. Primary MedGraphics products include pulmonary function and cardiopulmonary exercise (CPX) testing systems. MedGraphics cardiorespiratory systems operate with its proprietary BreezeSuite Windows NT/2000/XP compatible software, which is 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. This software provides a common platform for all MedGraphics cardiorespiratory products. All MedGraphics products, except for certain OEM products, are sold with a personal computer, full color monitor, printer and other peripherals.

The Company also sells health and fitness products under the New Leaf brand to consumers through health and fitness clubs, personal training studios, weight loss centers and other retail outlets. The product provides 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. The participating consumer must purchase a kit containing the single user materials required for the VO_2 assessment and, optionally, a Personal Digital Coach that is then programmed with the user s exercise plan and provides verbal coaching during exercise to help the user exercise at the correct intensity level to achieve the desired results.

Pulmonary Function Systems. Health care professionals use assessment of pulmonary function to diagnose lung diseases, such as 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.

All MedGraphics pulmonary function products use the preVent pneumotach, a patented disposable mouthpiece/flow measurement device that eliminates concern over the transmission of infectious diseases. The preVent gives all MedGraphics products the capability to perform spirometry, a test that measures 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. Additionally, the Profiler hardware module is designed for use as a component of the Elite Body Plethysmography system to maximize manufacturing economies of scale.

Spirometry. The CPF-S/D, MedGraphics top-of-the-line spirometry system, is comprised of a flow measurement module that is operated through a personal computer (PC). The CPF-S/D can serve as a platform that can be upgraded to either a complete pulmonary function or cardiopulmonary exercise system. Additionally, Medical Graphics markets the SpiroCard, an OEM product that provides a Type II PCMIA interface to a handheld PC or laptop PC that, when combined with MedGraphics proprietary Breeze SC software yields a compact and low-cost yet fully featured spirometer.

Complete Pulmonary Function Systems. The Profiler Series comprises MedGraphics Complete Pulmonary Function systems. The Profiler is a desktop or cart-mounted module that performs non-invasive assessment of an individual s volumes (capacities), pressures, gas diffusion and mechanical properties in the lung. The Profiler series uses a patented disposable patient circuit to enhance infection control.

Capabilities available with the Profiler Series systems include:

Profiler DL. The Profiler DL performs spirometry and also measures how efficiently the lungs can transfer oxygen into the bloodstream. The Profiler DL measures this lung function by using a gas chromatograph that measures gas concentrations before the patient inhales a test gas mixture and after the patient breathes the gas out. This is referred to as diffusion or diffusing capacity testing.

Profiler DX. The Profiler DX has all the abilities of the Profiler DL, plus the additional ability to measure the total volume of air in the lungs. This is done with a patented gas analyzer that measures the amount of nitrogen in a person s breath.

The Profiler systems compact design and mobility option attract a wide variety of customers, including pulmonary laboratories in hospitals, clinics, physician offices, occupational medicine clinics, asthma centers and clinical research centers.

2003 Developments.

Body Plethysmograph Systems. The Elite Series comprises MedGraphics body plethysmograph systems. A body plethysmograph is an enclosed metal and clear acrylic chamber that offers the most sensitive method for measuring lung function. The patient sits inside the chamber and undergoes diagnostic pulmonary function tests.

Elite D. The Elite D performs spirometry, measures the total volume of air in the lungs and the resistance to airflow in the airways of a person s lungs.

Elite DL. The Elite DL performs the same tests as the Elite D, and performs the diffusion test in the same manner as the Profiler DL.

Elite DX. The Elite DX performs all the tests as an Elite DL, and adds the lung volume test from the Profiler DX.

The Elite Series systems applications include diagnosing lung diseases (especially asthma), 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. 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.

Cardiopulmonary Exercise Testing Systems. MedGraphics cardiopulmonary exercise (CPX) testing systems measure fitness or conditioning levels as well as help physicians diagnose heart and lung diseases. This is accomplished by measuring the concentrations of oxygen and carbon dioxide in a person s lungs and assessing how these concentrations change as a person exercises on a bike or treadmill. The gas concentrations of a person at rest can also be measured to determine nutritional requirements of critically ill patients or individuals wishing to assess the number of calories burned per day, which is termed metabolic rate. This measurement is known as metabolic assessment and is marked by Medical Graphics as the MAX option. The CPX systems measure each breath using a patented breath-by-breath methodology. These CPX systems use the same patented preVent pneumotach as the pulmonary function systems. Medical Graphic s cardiopulmonary exercise systems also include a patented oxygen analyzer and a carbon dioxide analyzer. Medical Graphics holds several patents relating to gas sampling and data reporting, including two expert system software packages for evaluating the information obtained from cardiopulmonary exercise assessments.

The CPX Series is sold in several different configurations:

CPX/D. The basic exercise testing system is a CPX/D, which measures an individual s fitness level while exercising and ability to perform work (functional capacity) or activities of daily living (ADL).

CCM/D. The basic metabolic assessment system is a CCM/D that measures the nutritional requirements of a patient at rest.

CPX/MAX/D. A CPX/MAX/D is a CPX/D with the metabolic assessment option added.

The CPX/D, CCM/D, and CPX/MAX/D systems all use the same base hardware platform and are differentiated primarily by software.

2003 Developments.

CardiO$_2$. A CardiO$_2$ is a CPX/D with an integrated 12-lead electrocardiogram stress option added. The electrocardiogram, which measures heart functions, is generally referred to as an ECG.

CardiO$_2$/MAX/D. A CardiO$_2$/MAX/D is a CPX/D with an integrated 12-lead ECG and the metabolic assessment option.

VO 2000. The VO 2000 is a portable/ambulatory version that is about twice the size of a typical portable CD player and can transmit data via telemetry. In addition to all of the uses for CPX, applications for 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 VO 2000 is a key component of the Company s New Leaf Personal Exercise System health and fitness product.

The CPX/D can also be used in conjunction with other manufacturers stand-alone ECG systems.

Applications for the cardiopulmonary 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. Customers include hospital cardiopulmonary laboratories, cardiology and pulmonary office-based clinics; critical care units, cardiac rehabilitation units, human performance laboratories and health clubs.

Cycle Ergometers and Treadmills. MedGraphics 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. MedGraphics 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 MedGraphics 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. Medical Graphics competitors include large medical companies, some of which have greater financial and technical resources and broader product lines. Viasys Healthcare, Inc. and Ferraris Medical, Inc represent the principal competitors for Medical Graphics current products. The Company believes that the principal competitive factors in its markets are product features, price, quality, customer service, performance, market reputation, breadth of product offerings and effectiveness of sales and marketing efforts.

Competition based on price is expected to continue as an important factor in customer purchasing patterns as a result of cost containment pressures on, and consolidation in, the health care industry. This competition has exerted, and is likely to continue to 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 such downward price pressure through corresponding cost reductions. Any failure to offset such pressure could have an adverse effect on our 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 s New Leaf products for the health and fitness market combine components that individually have numerous competitors ranging from metabolic measurement systems (HealtheTech) to heart rate monitors (Polar) and nutrition education and lifestyle enhancement software (e-Diets) and

weight loss programs (Jenny Craig, Weight Watchers). The Company believes that its integration of these components together with its proprietary exercise programming into a weight loss program for the consumer has been accomplished in a unique manner. The Company has protected this product with various patents and is presently unaware of any other system that competes directly.

Manufacturing

Medical Graphics currently manufactures and assembles all major analyzer components of its pulmonary systems including a waveform analyzer, flow board, gas sample lines, gas chromatograph, nitrogen analyzer and oxygen analyzer. Sheet metal, electrical components 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 transducer modules into these systems. Medical Graphics acquires its cycle ergometers and treadmills from third parties. Although some of Medical Graphics components are purchased from only one or a limited number of suppliers, Medical Graphics believes that if it were unable to obtain components from these suppliers, it would be able to obtain comparable components from other sources without significant additional expense or interruption of business.

Medical Graphics is ISO 9001 certified for its development and manufacturing processes. See Regulation by Foreign Governments for additional discussion of the Company s ISO 9001 certification.

Marketing and Distribution

Medical Graphics markets its products in the United States through a direct sales force that targets customers located in hospitals, university-based medical centers, clinics and physician offices of heart and lung specialists. Each salesperson is responsible for a specific geographic area and sells Medical Graphics complete product line to all customers, from hospitals to physician offices within that area. The Company markets its New Leaf personal exercise product through a separate direct sales force that targets customers located in fitness clubs, weight loss centers and cardiac rehabilitation clinics. Medical Graphics salespersons are compensated with a base salary, expense reimbursement and a revenue-based commission.

Medical Graphics markets its products outside the United States through independent distributors. During 2003, Medical Graphics used approximately 50 distributors to sell its products into 60 countries. These distributors typically carry a limited inventory of MedGraphics products and sell these products in specific geographic areas, generally on an exclusive basis. International sales accounted for 15.9% and 16.6% of total sales for the year ended October 31, 2003 and for the ten months ended October 31, 2002, respectively. All of Medical Graphics international sales are made on a United States dollar-denominated basis to distributors.

Sales into foreign countries involve certain risks not ordinarily associated with domestic business including fluctuations in exchange rates even when product sales are denominated in dollars, reliance on distributors and fluctuations in sales resulting from changes in local economies.

Medical Graphics believes that demonstration of its products capabilities to potential customers is one of the most significant factors in achieving sales. Consequently, the main thrust of domestic and international promotional efforts is product demonstrations at trade shows and customer facilities. Other promotional efforts include educational seminars, print advertisements, direct mail campaigns and marketing through Medical Graphics web site (www.medgraphics.com).

Research and Development

During 2002 and 2001, the Pulmonary and Gas Exchange software products were combined into one software platform now called BreezeSuite. Research and development expenses during 2002 reflected the Company s efforts to eliminate reliance on Microsoft Office Pro and the related costs associated with on-going maintenance. During 2003, the Company introduced two new Windows NT/2000 BreezeSuite software products. In addition, Medical Graphics is continuing to add product improvements designed to enhance product reliability and improve margins as well as to migrate to newer operating platforms such as Windows XP and newer development tools such as .Net. Medical Graphics is also developing new products targeted for new growth markets, including products that will be marketed under the New Leaf brand. The Company believes ongoing research and development efforts have been and will remain important to its continuing success.

Research and development expenses were $1,538,000 for the year ended October 31, 2003 and $1,030,000 for the ten months ended October 31, 2002. Since the previous focus on the conversion and consolidation of software platforms was substantially completed in October 2002, the Company no longer capitalizes a portion of its software development costs. Research and development expenses that have been capitalized as part of the Company s proprietary software were $350,000 for the ten months ended October 31, 2002 while none were capitalized during 2003.

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.

Angeion owns over 100 patents related to ICD technology while its Medical Graphics subsidiary relies on a combination of patent, trademark and trade secret laws to establish proprietary rights in its products. Medical Graphics currently owns 24 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. Also, the New Leaf business employs various Medical Graphics patents in its 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 application, 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 twenty year term from the date of filing above or 17 years from the patent grant.

Both Angeion and Medical Graphics also own registered trademarks and have 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, 1085/DX, Elite/Dx,

Elite/DL, PF/Dx, Profiler/Dx, Profiler/DL, CPF-S/D, Pulmonary Consult, Exercise Consult, KnowledgeNet and various Logos.

Similarly, New Leaf trademarks and copyrights include but are not limited to: New Leaf, ExerSmart, ExerScript, PDC Personal Digital Coach, PAS Personal Assessment System, 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 such 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 will 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.

Angeion has also entered into a number of license agreements over the past several years under which it has licensed its ICD technology to third parties. Angeion intends to continue to protect its intellectual technology and if appropriate to seek license agreements from third parties that utilize the Company s technology.

The Company has also entered into a Technology License Agreement under which it obtained a license related to the design and manufacture of talking heart rate monitors. This license represents the technology for the Company s New Leaf Personal Digital Coach.

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 regulatory authority of the Food and Drug Administration (FDA), which regulates the manufacture, distribution, related record keeping, labeling and advertising of such devices. Following the enactment of the Medical Device Amendments to the Act in May 1976 (the Amendments), the FDA classified medical devices in commercial distribution into one of three classes, Class I, II or III. 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 Medical Graphics products are Class II devices. Angeion s ICD products were classified as Class III 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. QSRs 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. Medical Graphics is registered as a manufacturer with the FDA and successfully passed an FDA audit in 2002 with no negative observations.

The Company is subject to certain FDA regulations governing manufacturing practices, labels, packaging, defective products and complaints about its products. 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. Further, the FDA regulates the export of medical devices that have not been approved or cleared for marketing in the United States.

Regulation by Foreign Governments

The Company s products are also subject to regulation similar to that of the FDA in various foreign countries. ISO 9001 certification indicates that a company s development and manufacturing processes comply with standards for quality assurance and manufacturing process control. ISO 9001 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 9001 certification for its development and manufacturing processes in 1998 and has passed surveillance and recertification audits in 2002, 2001 and 2000. 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.

Employees

As of October 31, 2003, the Company had 117 full-time and 3 part-time employees, including 30 in sales and marketing, 31 in customer support, education and field service, 32 in engineering, materials and manufacturing, 10 in research, development and regulatory, and 14 engaged in finance and administration. 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

This Annual Report on Form 10-KSB contains certain forward-looking statements. For this purpose, any statements contained in this Form 10-KSB that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the foregoing, words such as may, will, expect, believe, anticipate, estimate or continue or comparable terminology are intended to identify forward-looking state These statements by their nature involve substantial risks and uncertainties. The Company s actual results could differ materially from those anticipated in such forward-looking statements as a result of certain factors, including those set forth in the following risk factors and elsewhere in this Annual Report on Form 10-KSB. These forward-looking statements are made as of the date of this Annual Report on Form 10-KSB and the Company assumes no obligation to update such forward-looking statements, or to update the reasons why actual results could differ materially from those anticipated in such forward-looking statements.

Certain Risk Factors

History of Recent Losses. During the year ended October 31, 2003 and the ten months ended October 31, 2002, the Company incurred losses of $2,599,000 and $1,579,000, respectively. The Company s bankruptcy restructuring eliminated over $1,500,000 in annual cash requirements to make interest payments for debt service associated with its $20,198,000 debt, which was converted to equity in the Chapter 11 Bankruptcy. While the Company believes that its existing cash is adequate to support operations for the next 18 to 24 months or more, the Company must ultimately achieve profitability or obtain additional financing to be able to meet its future cash flow requirements, and there can be no assurance that it will do so.

Product Liability and Potential Insufficiency of Product Liability Insurance. The testing, manufacturing, marketing and sale of medical devices involve risk of liability claims and product recalls. ICD products that the Company sold in the past are highly complex and were used in medical procedures and in situations where there is a potential risk of serious injury, adverse side effects or death. As a result, the Company currently carries product liability insurance covering its products with policy limits per occurrence and in the aggregate which the Company has deemed to be sufficient. It cannot be predicted, however, whether such insurance is sufficient, or if not, whether the Company will be able to obtain such insurance as is sufficient, to cover the risks associated with the Company s business or whether such insurance will be available at premiums that are commercially reasonable. Although the Company has discontinued its ICD business, a successful claim against or settlement by the Company in excess of its insurance coverage or the Company s inability to maintain insurance in the future could have a material adverse effect on the Company s business, results of operations, liquidity and financial condition.

The Company has received a claim for indemnification from ELA Medical, Inc. for expenses incurred by ELA Medical in connection with ICDs formerly manufactured by the Company. Although the Company believes its product liability insurance covers the potential liability associated with the ELA Medical claim, subject to applicable self-retention, there can be no assurance that the Company will not be subject to other claims in the future. During the year ended October 31, 2003, the Company recorded a loss of $235,000 to reflect its liability to ELA Medical for expenses associated with a claim for reimbursement of costs related to ICD s formerly manufactured by the Company that were experiencing premature battery depletion. This loss is net of probable insurance recoveries and includes other expenses associated with the claim. See Note 16, Discontinued Operations, *Contingencies* in Notes to Consolidated Financial Statements in this Form 10-KSB.

Success of Business Plan. Successful implementation of the Company s business plan through its Medical Graphics subsidiary operating entity is dependent on the interaction of many variables, including the effects of changing industry conditions, competition and the Company s ability to successfully market and sell its new products. While the Company believes that its business plan is reflective of reasonable judgments in assessing those risks, there can be no assurance that influences not foreseen by the Company would not adversely affect its ability to execute the 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, the projected sales volume increases.

Dependence upon New Products. The Company has previously announced that it intended to focus a significant portion of its resources on the weight loss, cardiac rehabilitation and disease prevention markets, which are a logical extension of its core cardiorespiratory systems business. The Company s future success will be dependent, in part, upon its ability to successfully identify and introduce new products and services into the weight loss, cardiac rehabilitation and disease prevention markets. In developing new products, it will incur additional research and development and marketing

expenses. The Company s success will depend upon cost effective development of new products for its cardiorespiratory markets. There can be no assurance that revenues, if any, from new products will be sufficient to recoup the Company s expenses in development and marketing any new product. Moreover, there is no assurance that the Company can manufacture these new products at a cost, or sell the new products at a price, that will result in an acceptable rate of return for the Company. Market acceptance of these new products may be slow or customers may not accept the new products at all. If the Company cannot successfully develop and market new products, its financial performance and results of operations will be adversely affected.

Need for Market Acceptance. Market acceptance of the Company s products will depend, in part, on the capabilities and operating features of its products compared to competing products, the Company s ability to convince the medical community of the clinical efficacy of its products, the timeliness of its product introductions compared to competing products and its ability to manufacture quality products profitably and in sufficient quantities. Failure of the Company s products to gain market acceptance would have a material adverse effect on the Company s business, financial condition and results of operations. Furthermore, even if there is growth in the markets for the Company s products, there can be no assurance that the Company will participate in such growth.

Importance of Intellectual Property Protection. Patents and trademarks are critical in the medical device industry, and 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 U.S. 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 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.

Nasdaq SmallCap Market. Angeion s common stock is traded on the Nasdaq SmallCap Market. Under the rules for continued inclusion on the Nasdaq SmallCap Market, the Company must maintain a minimum bid price of $1.00 for its common stock and must maintain a minimum of $1.0 million in market value of its publicly held shares. Although the Company has been in compliance with the Nasdaq minimum bid requirements since December 2002, the Company can give no assurance that it will be able to meet the requirements for continued listing on the Nasdaq

SmallCap Market in the future.

Dependence on Senior Management and Other Key Personnel. The Company s success depends largely on 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.

Limited Liquidity of Common Stock. Since the Company emerged from bankruptcy in October 2002, there has been limited trading in its common stock.

Dependence on Third Party Vendors. 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. Medical Graphics acquires its cycle ergometers and treadmills from third parties. Although the Company attempts to maintain sufficient quantities of inventory of such 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 such 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.

Effect of Certain Anti-Takeover Provisions. 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.

Under the Bylaws, for a period of three years after the end of the fiscal year in which the Reorganization Plan is confirmed or until November 1, 2005, no purchase of the Company s common stock may be made by any beneficial owner of 5% or greater of the Company s common stock (or any person who would become a 5% or greater owner as a result of the purchase), unless the transfer is approved in advance by the Company s Board of Directors. Further, each person that was a beneficial owner of 5% or greater of the Company s common stock immediately following confirmation of the Plan is prohibited from transferring more than 60% of the holder s common stock during the two year period after confirmation, unless the transfer is approved in advance by the Board of Directors.

The Company has also entered into agreements with certain executive officers that provide for certain benefits upon a change of control.

Item 2. Description of Property.

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 expires in June 2004. The Company has entered into a new lease for the same building that expires in June 2009. Annual rental costs will be approximately $301,000 in fiscal year 2004. Rent expense was $297,000 for the year ended October 31, 2003 and $287,000 for the ten months ended October 31, 2002.

The Company previously leased space in Brooklyn Park, Minnesota that served as office, manufacturing and warehouse space for its discontinued ICD business. At October 31, 2002, the Company remained liable for $148,000 in payments under the lease while the sublessor was obligated to the Company for future rental payments aggregating $71,000 through June 30, 2003. Rent payments for office and production space used in the discontinued ICD manufacturing business were $77,000 for the year ended October 31, 2003 and $258,000 for the ten months ended October 31, 2002. The Company no longer has any obligations under this lease.

Item 3. Legal Proceedings.

The Company is subject to certain 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. It is management s opinion that the settlement of all litigation would not have a material effect on the financial position 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 Small Business Issuer Purchases of Equity Securities.

The Company s common stock is traded on the Nasdaq SmallCap Market under the symbol ANGN. The prices below are the high and low sales prices as reported by the Nasdaq SmallCap Market for each quarter of FY 2003 and 2002

Due to conversion of the Company s $20,198,000 of Notes to equity on October 25, 2002, and the resulting new capital structure, prices of the Company s common stock before and after that event will not be comparable.

Angeion Common Stock Prices

Fiscal Years	High	Low
2003		
Fourth quarter	$ 2.45	$ 1.25
Third quarter	2.49	0.65
Second quarter	1.45	0.65
First quarter	5.00	0.25
2002		
Fourth quarter	.30	0.02
Third quarter	.57	0.05
Second quarter	.75	0.31
First quarter	1.04	0.45

As of January 2004, approximately 678 persons held the Company s common stock of record. In addition, nominees for approximately 5,500 shareholders held a number of 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

The following table provides information as of October 31, 2003 with respect to the shares of the Company s common stock that may be issued under its equity compensation plan. The Company has one equity compensation plan, its 2002 Stock Option Plan.

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)
Equity compensation plans approved by security holders	373,800	$ 5.79	226,200

Recent Sales of Unregistered Securities

The Company had no unregistered sales of equity securities during the quarter ended October 31, 2003.

Small Business Issuer Purchases of Equity Securities

The Company did not purchase any equity securities during the quarter ended October 31, 2003.

Item 6. Management s Discussion and Analysis or Plan of Operation.

Overview

The Company, through its Medical Graphics Corporation subsidiary, designs non-invasive diagnostic systems under the MedGraphics trade name that assist health care professionals in the prevention, early detection and cost-effective treatment of heart and lung disease. It also markets a version of some of these products under the New Leaf® brand to health and fitness clubs and personal trainers to assist them in developing exercise programs to help their clients meet their personal goals. Revenues consist of equipment and supply sales and service revenues. Equipment and supply sales reflect sales of Medical Graphics non-invasive cardiorespiratory diagnostic equipment, sales of New Leaf health and fitness products, and aftermarket sales of peripherals and supplies. Service revenues reflect contract revenues from extended service contracts, non-warranty service visits and training. Total revenue was $18.7 million and $16.8 million for the years ended October 31, 2003 and 2002, respectively.

The Company s primary objectives for 2003 included continuing to improve sales and profits from the cardiorespiratory diagnostic products, and establishing scalable methods to increase the number of fitness clubs and training studios offering the New Leaf products to their clients as well as increase client participation at those locations. In addition, the Company began programs to strengthen both its MedGraphics brand and New Leaf brand product offerings.

The year 2003 was positive for the Company s cardiorespiratory products in both the United States and international markets. Demand from domestic customers remained relatively good throughout the year resulting in four quarters of revenue growth with a total year increase of 16.9% over 2002. International demand got off to slow start, continuing the softness that was experienced in the second half of 2002, but began recovering during the third quarter and had a strong fourth quarter resulting in a modest 1.7% total year increase over 2002. Revenue for international customers was being compared to some relatively weak prior year quarters during the second half of 2003.

During 2003 the Company identified potential growth opportunities within both our domestic and international cardiorespiratory markets for some new products using new technology that is proprietary to Medical Graphics. In March 2003, it began development of these new products in earnest. The first of these new products was introduced in the first quarter of 2004 and other products are scheduled for release during the second half of the year. The Company will be announcing these new products to its customers as they are introduced.

The Company also gained some traction in establishing a foundation for its New Leaf fitness products during 2003. It successfully established a number of pilot installations in four fitness club chain organizations, positioning them to roll the New Leaf program out to other locations during the second half of 2004. It also developed successful promotional programs to introduce the New Leaf products to personal training studios and will continue these programs on a target city basis during 2004.

During the past year, the Company made significant improvements in the New Leaf software used in making metabolic measurements during exercise, including the development of a weight loss training program. This new weight loss training program creates a specific 12-week exercise plan for a client based on the client s individual metabolic profile, level of fitness, weight loss goals and amount of time available for exercising. By combining the exercise program with the Company s online nutrition education module it is able to offer a weight management program that uniquely addresses both the calories consumed (diet) and calories burned (exercise) elements of weight management. This combination has been an important element of some successful consumer pull through promotions that will be refined and expanded during 2004 to increase client participation at facilities that offer the New Leaf products.

Finally, throughout 2003, the New Leaf program contended with both the availability and quality of the personal digital coach product as the vendor that supplied that product struggled to implement effective manufacturing quality control procedures. As a result, the Company entered into a Technology License Agreement in September 2003 under which the Company assumed the responsibility for all manufacturing of that product. Consequently, the Company believes that the delivery and quality problems will be brought under control during the first half of 2004.

Looking back, virtually all of FY 2002 was devoted to resolution of repayment of the $20,198,000 in Notes that were due in April 2003. Those efforts culminated on October 24, 2002, when the Bankruptcy Court entered an order confirming the Company s Plan of Reorganization. The Plan became effective on October 25, 2002, the first business day after the date of confirmation. Under the Plan, each holder of the Company s Notes and each holder of certain other unsecured claims received the holder s pro rata share of 95% of the Replacement Common Stock. Each holder of the Company s Old Common Stock received a pro rata share of 5% of the Replacement Common Stock and one common stock purchase warrant for each share of Replacement Common Stock. The debt restructuring took place under a Chapter 11 Bankruptcy filing to avoid impairment of the Company s then existing $125 million tax loss carryover. The conversion of debt to equity together with the receipt of $2.9 million in cash from a Settlement Agreement to use the Company s cardiac stimulation technology allowed the Company to

emerge from Bankruptcy with over $4.4 million in cash, no debt and approximately $18.0 million in shareholders equity.

During 2003, The Company received a notice for indemnification by Angeion for replacement of certain ICD s pursuant to previous agreements with ELA Medical. See PART I, Item 1(a), 2003 Developments of this Form 10-KSB for further discussion of that matter.

The following paragraphs discuss the Company s performance for the year ended October 31, 2003 compared to 2002 and for the ten months ended October 31, 2002 compared to the same period for 2001.

Results of Operations

The following table summarizes selected financial data relating to the operations of the Company. Data for the year ended October 31, 2003 and for the ten months ended October 31, 2002 are derived from the audited financial statements of the Company. The financial data for the year ended October 31, 2002 and for the ten months ended October 31, 2001 are derived from the unaudited financial statements of the Company. The unaudited financial data is presented for comparative purposes as a result of the Company s change in year-end from December 31 to October 31 in 2002.

	Year Ended October 31,		Ten Months Ended October 31,	
(000 s omitted)	**2003**	**2002**	**2002**	**2001**
Revenue	$ 18,712	$ 16,838	$ 13,402	$ 13,230
Gross margin	8,110	6,955	5,393	5,525
Gross margin percentage	43.3%	41.3%	40.2%	41.8%
Operating expenses:				
Selling and marketing	5,581	5,362	4,266	4,187
General and administrative	2,722	2,414	1,952	2,476
Research and development	1,538	1,290	1,030	1,363
Amortization of intangibles	847	811	636	1,016
Impairment loss on intangible assets		1,085	1,085	
Reorganization items		128	128	
	10,688	11,090	9,097	9,042
Operating loss	(2,578)	(4,135)	(3,704)	(3,517)
Licensing revenue, net		2,900	2,900	
Interest income	29	15	10	165
Interest expense		(1,217)	(877)	(1,701)
Loss before taxes	(2,549)	(2,437)	(1,671)	(5,053)
Benefit for income taxes		(92)	(92)	
Loss from continuing operations	(2,549)	(2,345)	(1,579)	(5,053)
Loss from discontinued operations	(235)	(678)		(29)
Net loss	$ (2,784)	$ (3,023)	$ (1,579)	$ (5,082)

Year Ended October 31, 2003 Compared to 2002

Revenues. Total revenue increased by 11.1% to $18.7 million from $16.8 million for the year ended October 31, 2003 and 2002, respectively. Domestic product revenue increased by 16.9% to $12.7 million in 2003 compared to $10.9 million in 2002. Internationally, product revenue increased 1.7% to $3.0 million in 2003 from $2.9 million in 2002. Service revenue was $3.0 million for both 2003 and 2002.

Domestic product revenue for 2003 reflected a relatively strong customer order rate that the Company experienced throughout the year. While domestic customer interest in placing new equipment orders has remained good, these same customers are continuing to exercise caution in making capital expenditures due to the overall uncertainty of the United States economy.

Compared to prior year, international product revenue for 2003 turned positive during the last six months to finish slightly ahead of 2002. European customers are delaying capital expenditures unless there is a clear immediate need although the weakened U.S. Dollar compared to the Euro has improved the business climate in Europe. Latin America continues to suffer from very weak economies and devaluating currencies with no immediate recovery anticipated. Equipment orders from customers in the Pacific Rim are returning to normal following some previous delays due to the business disruptions caused by the SARS outbreak.

The Company continues to develop its New Leaf Personal Exercise products that are currently targeting weight-loss consumers through personal trainer studios, fitness clubs and other delivery sites. Revenues from these products are not yet significant.

Gross Margin. Gross margin percentage increased to 43.3% of revenue for the year ended October 31, 2003 compared to 41.3% for the same period in 2002. Although overall gross margins have increased in 2003 compared to 2002 due to improved manufacturing efficiencies, gross margin percentages for 2003 were negatively affected by the fresh start accounting rules. Those rules required the Company to write up its inventory to fair market value at October 31, 2002, rather than carrying inventory at the lower of cost or market, and also required the Company to record the direct and incremental cost of fulfilling its obligations associated with customer service contracts existing at October 31, 2002. As a result, the Company increased the carrying value of its inventory by $59,000 and reduced deferred income by $224,000 at October 31, 2002.

As the Company s inventory and deferred income turned over during fiscal year 2003, the fresh start adjustments for inventory and deferred income negatively affected gross margin. The impact of the October 31, 2002 fresh-start accounting adjustments resulted in a decrease in gross margin of $283,000 or 1.5% for the year ended October 31, 2003. Consequently, without these adjustments, the underlying gross margin rate would have been 44.8% for 2003. The fresh start accounting adjustments had no impact, however, on the Company s cash flow and will not affect gross margins for 2004.

Selling and Marketing. Total selling and marketing expenses increased 4.1% to $5.6 million for the year ended October 31, 2003 compared to $5.4 million in 2002. The increase is due primarily to increased commissions associated with

increased revenue and an overall increase in selling and marketing personnel costs offset somewhat by lower customer demonstration expenses and lower costs for trade shows. Moreover, the Company has continued to focus on selling and marketing its New Leaf personal exercise products.

General and Administrative. General and administrative expenses increased 12.8% to $2.7 million in 2003 compared to $2.4 million in 2002. The increase in general and administrative expenses is due to increased personnel expenses somewhat offset by reduced professional fees.

Research and Development. Research and development expenses increased 19.2% to $1.5 million in 2003 from $1.3 million in 2002. The Company s research and development costs are focused on developing additional cardiorespiratory diagnostic products. The increase in research and development expenses for 2003 is due the Company s discontinuance of capitalizing a portion of its software development costs, which is somewhat offset by lower personnel costs. The Company s previous focus on the conversion and consolidation of software platforms was substantially completed in October 2002. Software development costs of $431,000 were capitalized as part of the Company s proprietary software for the twelve months ended October 31, 2002 while none were capitalized during 2003. The Company expects research and development expenses to increase by 8% to 12% during 2004.

Amortization of Intangibles. Amortization of intangibles for the year ended October 31, 2003 was $847,000 compared to $811,000 for the same period in 2002. Amortization expenses resulting from fresh start accounting are somewhat higher than those that were incurred prior to the revaluation of intangible assets at October 31, 2002.

Impairment Loss on Intangible Assets. On June 30, 2002, the Company reduced the value of its investment in INTER$_X$VENT by $1,085,000 to $325,000. See Note 8, Intangible Assets, Notes to Consolidated Financial Statements in this Form 10-KSB.

Reorganization Items. Fresh start reporting required that professional fees and similar types of expenditures directly relating to the Chapter 11 proceeding be expensed as incurred and reported as reorganization items. The Company recognized $128,000 of expenses constituting reorganization items during the year ended October 31, 2002.

Licensing Revenue, net. Licensing revenue, net for 2002 of $2.9 million represents a cash payment for a Settlement Agreement in which the Company granted Biotronik a perpetual, non-exclusive license to use its cardiac stimulation technology. See Note 17, License for Proprietary Technology, Notes to Consolidated Financial Statements in this Form 10-KSB.

Interest Income. Interest income increased to $29,000 in 2003 from $15,000 in 2002. The increase in interest income reflects an increase in excess cash balances available for short-term investment.

Interest Expense. There was no interest expense for the year ended October 31, 2003 compared to $1.2 million for 2002. Under the Joint Plan of Reorganization, all of the Company s Senior Convertible Notes due April 2003 were converted into common stock upon emergence from bankruptcy.

Loss From Discontinued Operations. During the year ended October 31, 2003, the Company recorded a loss of $235,000 to reflect its liability to ELA Medical for expenses associated with a claim for reimbursement of costs related to ICD s formerly manufactured by the Company that were experiencing premature battery depletion. This loss is net of probable insurance recoveries and includes other expenses associated with the claim. For additional details, see Note 16, Discontinued Operations, Notes to Consolidated Financial Statements in this Form 10-QSB.

The loss from discontinued operations for 2002 is represented primarily by the future rental obligations, net of sublease revenue, of the building that was leased for the Company s discontinued ICD manufacturing business.

Ten Months Ended October 31, 2002 Compared to 2001

Revenue. Total revenue increased by $172,000 or 1.3% to $13,402,000 from $13,230,000 for the ten months ended October 31, 2002 and 2001, respectively. Domestic product revenue increased by $405,000 or 4.9% to $8,594,000 in 2002 compared to $8,189,000 in 2001. International product revenue decreased by $660,000 or 22.9% to $2,224,000 in 2002 compared to $2,884,000 in 2001. Service revenue increased by $427,000 or 19.8% to $2,584,000 in 2002 compared to $2,157,000 in 2001.

The Company believes that during 2002, domestic customers interest in placing new system orders continued to improve but that its domestic customers also continued to exercise caution in making capital expenditures due to the overall uncertainty of the United States economy.

The Company continued to develop its New Leaf Personal Exercise products that are targeting weight-loss consumers through fitness clubs and other delivery sites.

Two reasons drove the decline in international revenue. First, European customers were acting like United States customers and delayed capital expenses unless there was a clear immediate need. Second, sales to Latin American customers continued to suffer from very weak economies and devaluating currencies.

The service revenue increase was primarily due to an increase in the number of service contracts that the Company had sold and non-warranty service calls. The Company placed an emphasis on the sale of those service contracts. In addition, the increase in non-warranty service call income reflected both increased fees and improved efficiencies in field service.

Gross Margin. Gross margin percentage decreased 1.6 percentage points to 40.2% from 41.8% of revenue for the ten months ended October 31, 2002 and 2001, respectively. The gross margin decrease is due to labor costs associated with revising certain product specifications. These additional labor costs were generally incurred during the first six months of 2002. Margins improved during the last part of 2002.

Selling and Marketing. Selling and marketing expenses increased $79,000 or 1.9% to $4,266,000 for the ten months ended October 31, 2002 compared to $4,187,000 in the comparable 2001 ten-month period. Increases in expenses associated with the Company s focus on selling and marketing its New Leaf personal exercise products of $455,000 for the ten months ended October 31, 2002 have been generally offset by lower travel, product demonstration and other selling and marketing expenses associated with hospital and medical clinic market products.

General and Administrative. General and administrative expenses decreased $524,000 or 21.2% to $1,952,000 for the ten

months ended October 31, 2002 compared to $2,476,000 in the comparable 2001 ten-month period. Prior year expenses include $300,000 paid as part of a settlement agreement that resolved the on-going litigation with U.S. Bank National Association, as Trustee for the holders of the Company s 7-1/2% Senior Convertible Notes. General and administrative expenses for 2002 also reflect reduced professional fees, directors costs and personnel costs.

Research and Development. Research and development expenses for the ten months ended October 31 decreased $333,000 or 24.4% to $1,030,000 in 2002 from $1,363,000 in 2001. The Company s previous focus on the conversion and consolidation of software platforms is now complete, resulting in the decrease in research and development expenses. Research and development expenses that

have been capitalized as part of the Company s proprietary software were $350,000 and $437,000 for the ten months ended October 31, 2002 and 2001, respectively.

Amortization of Intangibles. Amortization of intangibles for the ten months ended October 31 decreased $380,000 or 37.4% to $636,000 in 2002 from $1,016,000 in 2001. The decrease reflects the Company s adoption of SFAS Statement No. 142, *Goodwill and Other Intangible Assets*. See Note 8, Intangible Assets, Notes to Consolidated Financial Statements in this Form 10-KSB.

Impairment Loss on Intangible Assets. The Company purchased a perpetual license for existing INTER$_X$VENT technology to be revised in the form of a self-help program. Since completion of the self-help program has been delayed and therefore was not introduced to the market, the Company evaluated the recoverability of its investment and determined that it was impaired. The Company reduced the value of its investment by $1,085,000 to $325,000 at June 30, 2002. See Note 8, Intangible Assets, Notes to consolidated Financial Statements in this Form 10-KSB.

Reorganization Items. Fresh start reporting requires that professional fees and similar types of expenditures directly relating to the Chapter 11 proceeding be expensed as incurred and reported as reorganization items. The following table contains a summary of the expenses and gains recognized during the ten months ended October 31, 2002.

(In thousands)		Ten Months Ended October 31, 2002
Professional fees	$	262
Write-down of equipment held for sale		63
Mailings to shareholders and noteholders		60
Endorsement to Directors & Officers insurance		35
Gain from reduction of future rental obligations		(292)
	$	128

Licensing Revenue, net. Licensing revenue, net of $2,900,000 represents a cash payment for a Settlement Agreement in which the Company granted Biotronik a perpetual, non-exclusive license to use its cardiac stimulation technology. See Note 17, License for Proprietary Technology, Notes to Consolidated Financial Statements in this Form 10-KSB.

Interest Income. Interest income for the ten months ended October 31 decreased by $155,000 to $10,000 in 2002 from $165,000 in 2001. The decrease in interest income reflects lower excess cash balances available for short-term investment as well as lower interest rates.

Interest Expense. For the ten months ended October 31, interest expense decreased $824,000 to $877,000 in 2002 from $1,701,000 in 2001. Historically, interest expense included $132,000 of amortization of debt issuance costs on a quarterly basis. The debt issuance costs became fully amortized in April 2002. In addition, the Company discontinued accruing for interest expense on June 17, 2002, the date the Company filed the Joint Plan of Reorganization. The amount of stated contractual interest that was not charged to operations for the period from June 18, 2002 to October 31, 2002 was approximately $560,000. Under the Joint Plan of Reorganization, all unpaid interest expense, $1,017,000 at June 17, 2002, was converted into common stock of the Company upon emergence from bankruptcy.

Benefit for Income Taxes. During the first quarter of 2002, the Company recorded a refund of $92,000 for federal income taxes that were previously paid for 1999. The refund became available due to a tax law revision enacted into law during the first quarter of 2002.

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, through revenue from license agreements for patented ICD technology and through the use of cash balances.

The Company had cash of $3.6 million and working capital of $6.1 million as of October 31, 2003. During the year ended October 31, 2003, the Company used $734,000 in cash from continuing operations, primarily as a result of its net loss of $2.8 million, which was offset by $1.5 million of depreciation and amortization. Cash was generated by a decrease of $696,000 in inventories as well as increases of $598,000 and $285,000 in employee compensation and deferred income, respectively. In addition, the Company used cash for increases of $742,000 and $139,000 in accounts receivable and prepaid expenses and other current assets, respectively, as well as a decrease of $426,000 in accrued expenses.

During the year ended October 31, 2003, the Company used $112,000 in cash for investing activities. Cash was used to invest $100,000 in a Technology License Agreement for talking heart rate monitors and to purchase $12,000 of property and equipment.

The Company has no material commitments for capital expenditures for fiscal year 2004.

The Company s liability insurance coverage for claims associated with its ICD products expires on May 11, 2004. The Company may incur additional expenses, which could be substantial, in connection with any purchase of insurance allowing an additional claims reporting period.

The Company believes that its liquidity and capital resource needs for fiscal year 2004 will be met through its current cash and cash equivalents, cash flows from operations and working capital.

Other Commitments.

The Company has made various financial commitments in the ordinary course of conducting its business operations. Although these commitments are more fully discussed in the Notes to Consolidated Financial Statements, we are summarizing all of our significant commitments in the following table:

Description, (in thousands)	2004	2005	2006	2007	2008 & Thereafter
Minimum lease payments	$ 315	$ 298	$ 303	$ 314	$ 524
Minimum royalty payments for sales of AeroSport products	100	100	100	17	
	$ 415	$ 398	$ 403	$ 331	$ 524

Critical Accounting Policies

Significant accounting policies adopted and applied by the Company are summarized in Note 3, Notes to Consolidated Financial Statements, which is included in this Form 10-KSB. Some of the more critical policies include revenue recognition, allowance for doubtful accounts, legal proceedings and

claims and intangible assets. The Company s policies for these items are discussed in the following paragraphs.

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 collectibility is reasonably assured. Customer purchase orders are generally used to determine the existence of an arrangement while shipping documents are used to verify transfer of title and service reports are used to verify that services have been provided. Collectibility is based primarily on the creditworthiness of the customer, which is determined by credit checks and analysis as well as customer payment history. Service contract revenue is generally deferred and recognized ratably over the period during which the services are to be performed, which is typically from one to four years. Deferred income associated with service contracts was $1.1 million and $800,000 as of October 31, 2003 and 2002, 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 its relative fair value and recognized as revenue when revenue recognition criteria for each element are met. Fair value for each element is established based on sales prices charged as well as other historical evidence of value.

Allowance for Doubtful Accounts. The Company establishes estimates of the uncollectibility of accounts receivable. Management analyzes accounts receivable, historical write-offs as 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 may be required. The Company s accounts receivable balance was $3,429,000, net of an allowance for doubtful accounts of $428,000 at October 31, 2003.

Legal Proceedings and Claims. The Company s core activities relate to the development, manufacture and sale of medical and fitness related products. In the past, the Company manufactured ICD s, which are medical products that are surgically implanted in patients.

From time to time, the Company may become subject to various legal proceedings or claims, the outcomes of which are subject to significant uncertainty. SFAS 5, *Accounting for Contingencies*, requires that an estimated loss from a loss contingency should be accrued by a charge to income if it is probable that an asset has been impaired or a liability has been incurred and the amount of the loss can be reasonably estimated. Disclosure of a contingency is required if there is at least a reasonable possibility that a loss has been incurred. The Company evaluates, among other factors, the degree of probability of an unfavorable outcome and the ability to make a reasonable estimate of the amount of loss. Changes in these factors could materially affect the Company s financial position or results of operations.

In connection with a claim for indemnification from ELA Medical, Inc., as discussed in Note 16, Discontinued Operations, Notes to Consolidated Financial Statements, the Company has established a liability that it currently believes to reflect an obligation to ELA Medical. The Company believes that substantially all of the amounts for which it has indemnified ELA Medical will be covered by insurance and has established a receivable to reflect the probable insurance recoveries. Based upon the Company s

analysis of the insurance policies, it has established a reserve of $50,000 for insurance self-retention. The Company has based both the liability and the probable receivable upon its review of the claim, the facts surrounding the claim and the language of the insurance policies, including the C0ompany s belief that there was a single cause for the battery failure in the ICD. Although the insurance carrier has asserted that the battery failure represents multiple occurrences, the Company believes the language of the policies supports its position. As the Company determines addition facts concerning the claim and continues to work ELA Medical and the insurance carriers, the analysis may change. The Company s estimates regarding legal proceedings and claims are impacted significantly by judgments, assumptions and estimates used in the preparation of the Consolidated Financial Statements and actual results could differ materially from the amounts reported.

***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 such 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.

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 purposes.

The Company s foreign subsidiaries 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.

New Accounting Pronouncements

In June 2002, the Financial Accounting Standards Board (FASB) issued SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*. SFAS No. 146 addresses the financial accounting and reporting for costs associated with exit and disposal activities and nullifies Emerging Issues Task Force (EITF) Issue No. 94-3, Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring). The provisions of SFAS No. 146 are effective for exit or disposal activities that are initiated after December 31, 2002. The Company adopted the provisions of SFAS No. 146 on January 1, 2003. SFAS No. 146 will have an impact on the Company if there are any restructuring activities.

In December 2002, the Emerging Issues Task Force (EITF) issued EITF 00-21, *Revenue Arrangements with Multiple Deliverables*. EITF 00-21 addresses certain aspects of the accounting by a vendor for arrangements under which it will perform multiple revenue-generating activities. In some arrangements, the different revenue-generating activities (deliverables) are sufficiently separable, and there exists sufficient evidence of their fair values to separately account for some or all of the deliverables (that is, there are separate units of accounting). In other arrangements, some or all of the deliverables are not independently functional, or there is not sufficient evidence of their fair values to account for them separately. EITF 00-21 addresses when and, if so, how an arrangement involving multiple deliverables should be divided into separate units of accounting. EITF 00-21 does not change otherwise applicable revenue recognition criteria. EITF 00-21 became effective for the Company on July 1, 2003 and has not had an impact on the Company s current revenue recognition policy.

Item 7. Financial Statements.

The Board of Directors and Shareholders

Angeion Corporation:

We have audited the accompanying consolidated balance sheets of Angeion Corporation and subsidiaries as of October 31, 2003 and 2002 (successor company), and the related consolidated statements of operations, cash flows, and shareholders equity for the year ended October 31, 2003 (successor company) and for the ten months ended October 31, 2002 (predecessor company). 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 auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall 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, 2003 and 2002, and the results of their operations and cash flows for the year ended October 31, 2003 and for the ten months ended October 31, 2002, in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 4 to the consolidated financial statements, effective upon confirmation of the Company s Plan of Reorganization being approved by the United States Bankruptcy Court, the Company adopted the provisions of Statement of Position 90-7 for fresh-start reporting as of October 31, 2002.

/s/ KPMG LLP

Minneapolis, Minnesota
November 26, 2003, except as to Note 16, which is as of January 26, 2004

ANGEION CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets
October 31, 2003 and 2002

(in thousands except share and per share data)

	2003	2002
Assets		
Current assets:		
Cash and cash equivalents	$ 3,588	$ 4,434
Accounts receivable, net of allowance for doubtful accounts of $428 and $312, respectively	3,429	2,687
Inventories	2,774	3,470
Current assets of discontinued operations	756	
Prepaid expenses and other current assets	262	123
Total current assets	10,809	10,714
Property and equipment, net	1,565	2,164
Intangible assets, net	7,503	8,250
	$ 19,877	**$ 21,128**
Liabilities and Shareholders Equity		
Current liabilities:		
Accounts payable	$ 1,027	$ 964
Employee compensation	1,037	439
Deferred income	1,096	811
Warranty reserve	133	111
Current liabilities of discontinued operations	991	
Other liabilities and accrued expenses	471	897
Total current liabilities	4,755	3,222
Shareholders equity:		
Common stock, $0.10 par value. Authorized 25,000,000 shares; issued and outstanding, 3,594,433 shares	359	359
Additional paid-in capital	17,547	17,547
Accumulated deficit	(2,784)	
Total shareholders equity	15,122	17,906
Commitments and contingencies (Notes 11, 16, 18 and 19)		
	$ 19,877	**$ 21,128**

See accompanying notes to consolidated financial statements

ANGEION CORPORATION AND SUBSIDIARIES

Consolidated Statements of Operations

(in thousands except per share amounts)

	Successor Company Year Ended October 31, 2003	Predecessor Company Ten Months Ended October 31, 2002
Revenues:		
Equipment and supply sales	$ 15,719	$ 10,818
Service revenue	2,993	2,584
	18,712	13,402
Cost of goods sold:		
Cost of equipment and supply sales	9,882	7,536
Cost of service revenue	720	473
	10,602	8,009
Gross margin	8,110	5,393
Operating expenses:		
Selling and marketing	5,581	4,266
General and administrative	2,722	1,952
Research and development	1,538	1,030
Amortization of intangibles	847	636
Impairment loss on intangible assets		1,085
Reorganization items		128
	10,688	9,097
Operating loss	(2,578)	(3,704)
Other income (expense):		
Licensing revenue, net		2,900
Interest income	29	10
Interest expense		(877)
Loss before taxes	(2,549)	(1,671)
Benefit for taxes		(92)
Net loss from continuing operations	(2,549)	(1,579)
Loss from discontinued operations	(235)	
Net loss	$ (2,784)	$ (1,579)
Net loss per share - basic and diluted		

Continuing operations	$	(0.71)	$	(0.44)
Discontinued operations	$	(0.06)		
Net loss	$	(0.77)	$	(0.44)
Weighted average common shares outstanding				
Basic and diluted		3,594		3,594

See accompanying notes to consolidated financial statements

ANGEION CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(in thousands)

	Successor Company Twelve Months Ended October 31, 2003	Predecessor Company Ten Months Ended October 31, 2002
Cash Flows From Operating Activities:		
Net loss	$ (2,784)	$ (1,579)
Loss from discontinued operations	235	
Reorganization items		128
Depreciation	611	499
Amortization	847	636
Impairment loss on intangible assets		1,085
Adjustments to reconcile net loss to net cash flows provided by (used in) operating activities:		
Changes in operating assets and liabilities:		
Accounts receivable	(742)	1,581
Inventories	696	734
Prepaid expenses and other current assets	(139)	249
Accounts payable	63	22
Employee compensation	598	(219)
Deferred income	285	18
Warranty reserve	22	(30)
Accrued expenses	(426)	654
Net cash provided by (used in) continuing operations	(734)	3,778
Net cash used in discontinued operations		(262)
Net cash provided by (used in) operating activities	(734)	3,516
Cash Flows From Investing Activities:		
Purchase of property and equipment	(12)	(36)
Purchase of perpetual license	(100)	(70)
Investment in proprietary software and trademarks		(350)
Net cash used in continuing operations	(112)	(456)
Net cash provided by discontinued operations		13
Net cash used in investing activities	(112)	(443)
Net increase (decrease) in cash and cash equivalents	(846)	3,073
Cash and cash equivalents at beginning of period	4,434	1,361
Cash and cash equivalents at end of period	**$ 3,588**	**$ 4,434**

Cash paid for interest	**$**	**$**
Cash received for taxes		**92**
Significant non-cash transactions:		
See fresh-start adjustments, Note 4		

See accompanying notes to consolidated financial statements

ANGEION CORPORATION AND SUBSIDIARIES

Consolidated Statements of Shareholders Equity

(in thousands)

	Common stock		Additional		
	Number of shares	Par value	paid-in capital	Accumulated deficit	Total
Predecessor Company					
Balances at December 31, 2001	3,595	$ 36	$ 124,011	$ (123,613)	$ 434
Retire all Old Common Stock	(3,595)	(36)	36		
Issue Replacement Common Stock	3,595	359	(359)		
Capitalize Senior Convertible Notes, interest and certain other unsecured claims			21,266		21,266
Net loss				(1,579)	(1,579)
Fresh start accounting adjustments			(2,215)		(2,215)
Eliminate accumulated deficit balance			(125,192)	125,192	
Successor Company					
Balances at October 31, 2002	3,595	$ 359	$ 17,547	$	$ 17,906
Net loss				(2,784)	(2,784)
Balances at October 31, 2003	3,595	$ 359	$ 17,547	$ (2,784)	$ 15,122

See accompanying notes to consolidated financial statements

Angeion Corporation and Subsidiaries
Notes to Consolidated Financial Statements
October 31, 2003 and 2002

(1) Description of Business

The consolidated financial statements include the accounts of Angeion Corporation and its wholly owned subsidiaries, Medical Graphics Corporation, its only operating subsidiary, and Medical Graphics Corporation, GmbH. All inter-company transactions and balances have been eliminated in consolidation.

Angeion Corporation (the Company) develops, manufactures and markets noninvasive cardio-respiratory diagnostic systems used in the management and improvement of cardio-respiratory health. The Company has also introduced a line of health and fitness products, many of which are derived from Medical Graphics technologies. These products, marketed under the New Leaf Health and Fitness Brand, help consumers effectively manage their weight and improve their fitness. Revenues consist of product sales and service revenues. Product sales reflect sales of Medical Graphics non-invasive cardiorespiratory diagnostic systems, health and fitness products and aftermarket sales of peripherals and supplies. Service revenues reflect contract revenues from extended warranties, non-warranty service visits and training.

Historically, Angeion Corporation had developed, manufactured and distributed products for the treatment of cardiac arrhythmia patients. During March 2000, the Company s board of directors decided to discontinue that historical business. See Note 16, Discontinued Operations.

(2) Reorganization

On June 17, 2002, the Company filed a voluntary petition for relief under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the District of Minnesota, Third Division (the Court) under case number 02-32260. The filing was done jointly with the holders of the Company s 7 1/2% Senior Convertible Notes due 2003 and included a jointly submitted Plan of Reorganization (the Plan). The transaction was implemented as a Chapter 11 Bankruptcy filing for the purpose of enabling the Company and the note holders to accomplish the restructuring in a controlled manner and to enable the Company to retain a net operating loss carry forward of approximately $128 million out of the $133 million pre bankruptcy net operating loss carry forward. During the bankruptcy period, the Company continued to operate as debtor-in-possession. As debtor-in-possession, the Company operated as an ongoing business, but could not engage in transactions outside the ordinary course of business without approval of the Bankruptcy Court. The Company s subsidiary, Medical Graphics Corporation, was not part of the Chapter 11 filing and continued to do business as usual during the bankruptcy period.

On October 24, 2002, the Court entered an order confirming the Joint Modified Plan of Reorganization dated September 4, 2002. The Plan became effective on the first business day after the date of confirmation, which was October 25, 2002.

As of June 17, 2002, the date the petition was filed with the Court, there were 3,594,627 shares of the Company s common stock issued and outstanding (the Old Common Stock). As a result of the Plan, all of the Company s Old Common Stock was canceled and all options and warrants to purchase the Company s Old Common Stock existing as of the petition date were canceled. To effectuate the Plan, the Company issued 3,594,433 shares of its common stock (i) upon conversion of the Notes and other obligations to equity and (ii) in replacement of the Old Common Stock (the Replacement Common Stock). The difference between the 3,594,433 shares actually issued under the Plan and the 3,594,627 shares outstanding as of June 17, 2002 reflects a reduction of 194 shares representing fractional shares that were not issued under the Plan.

Under the Plan, each holder of the Company s Notes and each holder of certain other unsecured claims received such holder s pro rata share of 95% of the Replacement Common Stock. Each holder of the Company s Old Common Stock received a pro rata share of 5% of the Replacement Common Stock and one common stock purchase warrant for each share of Replacement Common Stock (the New Warrants). For each 20 shares of Old Common Stock owned prior to the Plan confirmation date, shareholders received one share of Replacement Common Stock and one New Warrant to purchase one share of Replacement Common Stock at $7.79 per share. The New Warrants expire on October 31, 2007, and are subject to redemption at the Company s option for $.01 per Warrant at any time after January 1, 2004, provided that the closing price of the common stock exceeds $9.73 (subject to adjustment) for ten consecutive trading days after January 1, 2004 and during the term of the Warrants.

(3) Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements contained in this report reflect the accounting principles set forth in Statement of Position 90-7, *Financial Reporting by Entities in Reorganization Under the Bankruptcy Code* (SOP 90-7). This statement provides guidance for financial reporting by entities that have filed voluntary petitions for relief under and have reorganized in accordance with the bankruptcy code. In accordance with fresh-start reporting, the reorganization value of the entity is to be determined and allocated to the entity s assets in conformity with purchase accounting guidelines. All assets and liabilities are to be recorded at their respective fair values. Adopting fresh-start reporting results in a new reporting entity with no beginning retained earnings or deficit. SOP 90-7 further states that fresh-start financial statements prepared by entities emerging from bankruptcy will not be comparable with those prepared before their plans were confirmed because they are, in effect, those of a new entity. Among other things, a black line is to be drawn in the financial statements to distinguish between the pre-reorganization entity (Predecessor Company) and the post-reorganization entity (Successor Company). Thus, comparative financial statements that straddle a confirmation date should not be presented. Consequently, after giving effect to reorganization and fresh-start adjustments, the financial statements of a Successor Company are deemed not comparable to those of a Predecessor Company. For financial reporting purposes, the results of the Predecessor Company and the Successor Company cannot be combined.

Fiscal Year Change

On November 13, 2002, the Company s Board of Directors changed its fiscal year from December 31 to October 31 to coincide with customer buying patterns of the Medical Graphics cardiorespiratory product business as well as the New Leaf health and fitness product business.

Fresh-Start Reporting

The effective date of the Company s emergence from bankruptcy was October 25, 2002. For accounting purposes, the Company adopted fresh-start reporting in accordance with SOP 90-7 as of October 31, 2002. In accordance with fresh-start reporting, all assets and liabilities were recorded at their respective fair values. The Company utilized the assistance of an independent third-party appraiser to determine the fair values of substantially all of the Company s tangible and intangible assets.

All financial information prior to October 31, 2002 is presented as pertaining to the Predecessor Company while all financial information presented as of and after October 31, 2002 is presented as pertaining to the Successor Company. Accordingly, the Consolidated Statements of Operations, the

Consolidated Statements of Cash Flows and the Consolidated Statements of Shareholders Equity present information pertaining to both the Predecessor Company and Successor Company. The Consolidated Balance Sheets at October 31, 2003 and 2002 pertain to the Successor Company. See Note 4, Reorganization and Fresh-Start Reporting Adjustments, for discussion of reorganization and fresh-start reporting adjustments made to the Consolidated Balance Sheet at October 31, 2002. Tabular presentations in these Notes to Consolidated Financial Statements that include operations for the ten months ended October 31, 2002 relate to the Predecessor Company.

Cash and Cash Equivalents

Cash equivalents consist of temporary cash investments with maturities of three months or less from the date of purchase. At October 31, 2003, cash equivalents consisted of checking accounts and money market funds.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined on a first in, first out basis. Upon the adoption of SOP 90-7, the basis for Successor Company inventories at October 31, 2002 was adjusted to reflect fair values based on an independent appraisal.

Property and Equipment

Property and equipment is carried at cost for the Successor Company. Upon the adoption of SOP 90-7, the basis for Successor Company property and equipment was adjusted to reflect fair values of the assets based on an independent appraisal. Equipment, computers and furniture and fixtures are depreciated using the straight-line method over the estimated useful lives of the assets that range from three to eight years. Leasehold improvements are depreciated using the straight-line method over the shorter of the lease term, or the estimated useful life of the asset. Expenditures for repairs and maintenance are charged to expense as incurred.

Intangible Assets

The following table lists the elements of definite lived intangible assets and the related lives in years over which amortization was computed on a straight-line basis for the Predecessor Company:

Intangible asset	**Life**
Patents	12
Purchased technology	10
Proprietary software	7
Perpetual license	3

The elements of definite lived intangible assets and the related lives in years over which amortization is computed on a straight-line basis for the Successor Company are listed in the following table:

Intangible asset	**Life**
Patents	3 and 10
Developed technology	3, 7 and 10

Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. See Note 12, Income Taxes for discussion of the Company s valuation allowance.

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 collectibility is reasonably assured. Service contract revenue is generally deferred and recognized ratably over the period during which the services are to be performed, which is typically from one to four years.

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 its relative fair value and recognized as revenue when revenue recognition criteria for each element are met. Fair value for each element is established based on sales prices charged as well as other historical evidence of value.

Net Loss Per Share

Basic loss per share is computed by dividing net loss by the weighted average shares outstanding during the reporting period. Diluted loss per share is computed similar to basic loss per share except that the weighted average shares outstanding are increased to include additional shares from the assumed exercise of stock options or warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options or warrants were exercised and that the proceeds from such exercise were used to acquire shares of common stock at the average market price during the reporting period. All potentially dilutive common shares were excluded from the calculation because they were anti-dilutive for all periods presented.

Concentrations of Credit Risk

Financial instruments that subject the Company to concentrations of credit risk consist principally of cash investments and trade accounts receivable. Cash in excess of current operating needs is invested in accordance with the Company s investment policy that emphasizes principal preservation.

Stock-Based Compensation

The Company applies the intrinsic value method as prescribed under Accounting Principles Board Opinion (APB) No. 25, *Accounting for Stock Issued to Employees,* and related interpretations to account for the issuance of stock incentives to employees and directors. Accordingly, no compensation expense related to employees and directors stock incentives has been recognized in the financial statements. In accordance with the provisions of SFAS No. 123, *Accounting for Stock-Based Compensation*, the Company has presented pro forma information reflecting compensation cost for such issuances.

Pro Forma Option Information

The Company applies APB No. 25, *Accounting for Stock Issued to Employees*, in accounting for the compensation costs of employee stock options. Had the Company determined compensation costs based on the fair value at the date of grant for options granted, the Company s net loss would have been increased to the pro forma amounts indicated in the following table.

(In thousands, except per share amounts)	Year Ended October 31, 2003	Ten Months Ended October 31, 2002
Net loss:		
As reported	$ (2,784)	$ (1,579)
Deduct: Total stock-based compensation expense determined under fair value based method for all awards, net of related tax effects	(359)	(153)
Pro forma	(3,143)	(1,732)
Net loss per share - basic and diluted		
As reported	(0.77)	(0.44)
Pro forma	$ (0.87)	$ (0.48)

The estimated per share weighted-average fair value of all stock options granted during the year ended October 31, 2003 was $5.89 as of the grant date using the Black-Scholes option pricing model with the following weighted average assumptions for the respective periods:

	Year Ended October 31, 2003	Year Ended December 31, 2001
Risk-free interest rate	3.93%	4.75%
Expected volatility factor	170.82%	174.62
Expected dividend		
Expected option term	7 years	7 years

Impairment of Long-Lived Assets

The Company assesses the recoverability of long-lived assets annually or 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 such 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.

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities made in the consolidated financial statements and accompanying notes. Actual results

could differ from those estimates. Estimates include accounts receivable, product warranty and inventory reserves, and depreciable lives of property, equipment and intangible assets.

New Accounting Pronouncements

In June 2002, the Financial Accounting Standards Board (FASB) issued SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*. SFAS No. 146 addresses the financial accounting and reporting for costs associated with exit and disposal activities and nullifies Emerging Issues Task Force (EITF) Issue No. 94-3, Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring). The provisions of SFAS No. 146 are effective for exit or disposal activities that are initiated after December 31, 2002. The Company adopted the provisions of SFAS No. 146 on January 1, 2003. SFAS No. 146 will have an impact on the Company if there are any restructuring activities.

In December 2002, the Emerging Issues Task Force (EITF) issued EITF 00-21, *Revenue Arrangements with Multiple Deliverables*. EITF 00-21 addresses certain aspects of the accounting by a vendor for arrangements under which it will perform multiple revenue-generating activities. In some arrangements, the different revenue-generating activities (deliverables) are sufficiently separable, and there exists sufficient evidence of their fair values to separately account for some or all of the deliverables (that is, there are separate units of accounting). In other arrangements, some or all of the deliverables are not independently functional, or there is not sufficient evidence of their fair values to account for them separately. EITF 00-21 addresses when and, if so, how an arrangement involving multiple deliverables should be divided into separate units of accounting. EITF 00-21 does not change otherwise applicable revenue recognition criteria. EITF 00-21 became effective for the Company on July 1, 2003 and has not had an impact on the Company s current revenue recognition policy.

(4) Reorganization and Fresh Start Reporting Adjustments

The Company adopted fresh start reporting as defined in SOP 90-7 upon its emergence from bankruptcy on October 31, 2002. The following Condensed Consolidated Balance Sheet of the Company illustrates the financial effects of implementing the Company s Plan and adoption of fresh start reporting.

The Condensed Consolidated Balance Sheet at October 31, 2002 reflects the adjustments outlined in the Company s Plan with respect to the conversion of debt to equity. Under terms of the Plan, the holders of the Notes due April 2003 agreed to convert the debt to equity. They and other holders of certain unsecured claims received a pro rata share of 95% of the Replacement Common Stock that was issued pursuant to the Plan. Each holder of the Company s Old Common Stock received a pro rata share of 5% of the Replacement Common Stock and one New Warrant for each share of Replacement Common Stock. For each 20 shares of common stock owned prior to the Plan confirmation date, shareholders received one share of Replacement Common Stock and one New Warrant to purchase one share of Replacement Common Stock. The par value of Replacement Common Stock was increased to $0.10 from $0.01.

Under SOP 90-7, the value of all of the Company s assets, which substantially is the Company s investment in Medical Graphics Corporation, must be determined and allocated to net assets in conformity with the procedures specified by Accounting Principles Board Opinion No. 16, *Business Combinations.* In June 2001, the FASB issued Statement of Financial Accounting Standards No. 141, *Business Combinations* (SFAS No. 141), which superseded Accounting Principles Board Opinion No. 16. This valuation must be accomplished despite the fact that Medical Graphics was not part of the Chapter 11 filing. Fair value is defined in accordance with SFAS No. 141, which states the fair value of

an asset is the amount at which that asset could be bought or sold in a current transaction between willing parties, that is, other than in a forced or liquidation sale.

The Company determined the reorganization value of its net assets by obtaining an appraisal from an independent third party. The appraiser (i) reviewed certain historical financial information of the Company for recent years and interim periods, (ii) reviewed certain internal financial and operating data, including five-year financial projections, prepared and provided by management, relating to its business and prospects, (iii) met with certain members of senior management of the Company to discuss the Company s operations, patents, technology and future prospects, (iv) reviewed publicly available financial data that the appraiser deemed generally comparable to the operating business of the Company, (v) considered certain economic and industry information relevant to the operating business, and (vi) conducted such other studies, analyses, inquiries and investigations that the appraiser deemed appropriate.

Fresh start reporting equity value was determined with the assistance of an independent appraiser. The methodology employed involved estimation of enterprise value (i.e. the market value of the Corporation s debt and shareholders equity), taking into account a discounted cash flow analysis. The discounted cash flow analysis was based on five-year cash flow projections prepared by management. Projected debt-free cash flows were discounted at a weighted average cost of capital of 24.0%. Terminal value calculation was based on normalized perpetuity cash flows, assuming a growth rate of 4%, reflecting 1.5% real growth and 2.5% inflation.

The five-year cash flow projections were based on estimates and assumptions about circumstances and events that had not yet taken place. Such estimates and assumptions are inherently subject to significant economic and competitive uncertainties and contingencies beyond the control of the Company, including, but not limited to, those with respect to the future courses of the Company s business activity. Accordingly, there will usually be differences between projected and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

Based upon the foregoing, the appraiser developed a range of values for the Company s Medical Graphics subsidiary as of the October 31, 2002. The appraiser s report also included an independent valuation of the Company s developed technology, ICD patents, inventories and property and equipment. The Company relied upon the appraisal report in determining the fair value of its net assets as of October 31, 2002. The Company determined the fair value of deferred income associated with service contracts by estimating the future cost of performing the service and a reasonable profit allowance for the estimated cost of performing the service. The following table sets out the Condensed Consolidated Balance Sheet at October 31, 2002 for the Predecessor Company and illustrates the reorganization adjustments and fresh-start reporting adjustments that were made to arrive at the Condensed Consolidated Balance Sheet at October 31, 2002 for the Successor Company. The adjustments present (i) the conversion of debt, interest and certain other unsecured liabilities to equity, (ii) the effect of revaluing the Company s ICD patents and developed technology, (iii) the elimination of the Predecessor Company s existing goodwill, (iv) the elimination of the accumulated deficit, (v) the write-down of deferred income to approximate fair value, (vi) the write-up of property and equipment and inventories to approximate fair value, and (vii) certain other adjustments in accordance with SOP 90-7.

Angeion Corporation and Subsidiaries

Condensed Consolidated Balance Sheet

October 31, 2002

(in thousands)

	Predecessor Company	Reorgan-ization Adjustments	Fresh Start Reporting Adjustments	Successor Company
Assets				
Current assets:				
Cash and cash equivalents	$ 4,434	$	$	$ 4,434
Accounts receivable	2,687			2,687
Inventories	3,411		59(d)	3,470
Prepaid expenses and other current assets	123			123
Total current assets	10,655		59	10,714
Property and equipment	899		1,265(e)	2,164
Intangible assets	10,078		(1,828)(f)	8,250
Goodwill	1,935		(1,935)(g)	
	$ 23,567	$	$ (2,439)	$ 21,128
Liabilities and Shareholders Equity (Deficit)				
Current liabilities:				
Accounts payable	$ 964	$	$	$ 964
Deferred income	1,035		(224)(h)	811
Accrued liabilities	1,447			1,447
Total current liabilities not subject to compromise	3,446		(224)	3,222
Current liabilities subject to compromise	21,266	(21,266)(a)		
Total current liabilities	24,712	(21,266)	(224)	3,222
Shareholders equity (deficit)				
Common stock	36	323(b)		359
Additional paid-in capital	124,011	20,943(c)	(127,407)(i)	17,547
Accumulated deficit	(125,192)		125,192(j)	
Total shareholders equity (deficit)	(1,145)	21,266	(2,215)	17,906
	$ 23,567	$	$ (2,439)	$ 21,128

Explanations for the Reorganization Adjustments and Fresh Start Reporting Adjustments are keyed to the following paragraphs:

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a) This identifies current liabilities subject to compromise including $20,198,000 of the Company s 7 1/2% Senior Convertible Notes due April 2003, $1,017,000 in unpaid interest on the Notes and certain other unsecured liabilities for $51,000. The note holders and holders of certain other unsecured claims received Replacement Common Stock in accordance with the Plan.

b) Common stock has been increased by $323,000 to reflect the change in par value from $0.01 to $0.10.

c) Additional paid in capital has been adjusted to reflect: (i) an increase of $21,266,000 to reflect the conversion from debt to equity of the Notes, interest and other unsecured liabilities in exchange for the issuance of 95% of the Replacement Common Stock to the Company s creditors in accordance with the Plan, and (ii) a decrease of $323,000 to reflect a change in par value from $0.01 to $0.10.

d) Finished goods inventories have been stated at their estimated net selling prices less costs to complete, costs of disposal and a reasonable profit allowance for the estimated completion and selling effort.

e) Property and equipment has been adjusted to reflect fair values of the assets based on an independent appraisal.

f) Intangible assets have been adjusted to reflect their fair values as determined with the assistance of an independent appraisal. See Note 8, Intangible Assets.

g) The unamortized balance of goodwill for the Predecessor Company has been eliminated.

h) Deferred income for service contracts has been adjusted to reflect the future cost of performing the service and a reasonable profit allowance for the estimated cost of performing the service.

i) Paid-in capital has been reduced by (i) $125,192,000 in connection with the related elimination of accumulated deficit in accordance with fresh start reporting and (ii) $2,215,000 to reflect the net adjustment associated with the fresh start reporting valuation adjustments.

j) The accumulated deficit has been eliminated as required by fresh start reporting.

(5) Reorganization Items

Reorganization (income) expenses included in the accompanying Consolidated Statement of Operations consist of the following items:

(In thousands)	Ten Months Ended October 31, 2002
Professional fees	$ 262
Write-down of equipment held for sale	63
Mailings to shareholders and note holders	60
Endorsement to Directors & Officers insurance	35
Gain from reduction of future rental obligations (Note 11)	(292)
	$ 128

(6) Inventories

Inventories for the Successor Company consisted of the following at October 31, 2003 and 2002:

(In thousands)	2003	2002
Raw materials	$ 1,121	$ 1,286
Work-in process	44	365
Finished goods	1,609	1,819
	$ 2,774	$ 3,470

(7) Property and Equipment

Property and equipment for the Successor Company consisted of the following at October 31, 2003 and 2002:

(In thousands)	2003	2002
Furniture and fixtures	$ 1,169	$ 1,133
Equipment	510	534
Leasehold improvements	497	497
	2,176	2,164
Less: accumulated depreciation	(611)	
	$ 1,565	$ 2,164

(8) Intangible Assets

The Company had purchased a perpetual license agreement for existing INTER$_X$VENT technology to be revised in the form of a self-help program. Since completion of the self-help program had been delayed and therefore not introduced to the market, the Company evaluated the recoverability of its investment and determined that it was impaired. The Company reduced the value of its investment by $1,085,000 to $325,000 at June 30, 2002. The impairment review was based on a discounted cash flow approach that uses estimates for revenues and expenses as well as an appropriate discount rate. The estimates used for the review were consistent with the plans and estimates being used to manage the underlying business.

As discussed in Note 4, Reorganization and Fresh Start Reporting Adjustments, the Company adopted fresh-start reporting as described in SOP 90-7 under which the Company s assets were recorded at their respective fair value as of October 31, 2002. An independent third-party appraiser determined the fair values of the Company s intangible assets. Accordingly, all intangible assets were valued at fair value as of the date of fresh-start reporting, October 31, 2002.

Intangible assets for the Successor Company consisted of the following at October 31, 2003 and 2002:

(In thousands)	2003	2002
Intangible assets:		
Developed technology	$ 6,900	$ 6,800
Patents	450	450
Trade name (unamortized)	1,000	1,000
	8,350	8,250
Amortization:		
Developed technology	(779)	
Patents	(68)	

	$ 7,503	$ 8,250

Amortization expense was $847,000 and $636,000 for the year and ten months ended October 31, 2003 and 2002, respectively.

The intangible assets for the Successor Company are being amortized using the straight-line method over the estimated useful lives of the assets that range from three to ten years. Estimated

amortization expense for the Successor Company for each of the succeeding fiscal years based on the intangible assets as of October 31, 2003 is as follows:

(In thousands)	Amortization
2004	$ 951
2005	951
2006	916
2007	779
2008	778
Thereafter	2,128
	$ 6,503

(9) Warranty Reserve

Sales of the Company s equipment are subject to a warranty. Equipment warranties typically extend for a period of twelve months from the date of installation. Standard warranty terms are included in customer contracts. Under the terms of these warranties, the Company is obligated to repair or replace any components or assemblies that it deems defective in workmanship or materials. The Company reserves the right to reject warranty claims where it determines that failure is due to normal wear, customer modifications, improper maintenance or misuse. The Company adjusts the warranty reserve based on the number and type of equipment that is subject to warranty, adjusted for the remaining months of warranty coverage. The warranty reserve adjustment reflects the Company s historical warranty experience based on type of equipment. Warranty expenses are evaluated and adjusted periodically. Warranty provisions and expenses for the year ended October 31, 2003 and the ten months ended October 31, 2002 were as follows:

(In thousands)	Warranty Reserve
Balance December 31, 2001	$ 141
Warranty provisions	144
Warranty expenses	(174)
Balance October 31, 2002	111
Warranty provisions	237
Warranty expenses	(215)
Balance October 31, 2003	$ 133

(10) Shareholders Equity

Common Stock and Warrants

As of June 17, 2002, the date the petition was filed with the Court, there were 3,594,627 shares of the Company s Old Common Stock issued and outstanding. As a result of the Plan, all of the Company s Old Common Stock was canceled and all options and warrants to purchase the Company s Old Common Stock existing as of the petition date were canceled. To effectuate the Plan, the Company issued 3,594,433 shares of its common stock (i) upon conversion of the Notes and other obligations to equity and (ii) in replacement of the Old Common Stock (the Replacement Common Stock). The difference between the 3,594,433 shares actually issued under the Plan and the 3,594,627 shares outstanding as of June 17, 2002 reflects a reduction of 194 shares representing fractional shares that were not issued under the Plan.

Under the Plan, each holder of the Company s Notes and each holder of certain other unsecured claims received such holder s pro rata share of 95% of the Replacement Common Stock. Each holder of the Company s Old Common Stock received a pro rata share of 5% of the Replacement Common Stock and one common stock purchase warrant for each share of Replacement Common Stock (the New Warrants). For each 20 shares of Old Common Stock owned prior to the Plan confirmation date, shareholders received one share of Replacement Common Stock and one New Warrant to purchase one share of Replacement Common Stock. The New Warrants expire on October 31, 2007 and are subject to redemption by the Company under certain circumstances. The exercise price of the New Warrants is $7.79 per share. At October 31, 2003, there were 179,731 New Warrants outstanding.

Stock Options

Under the Plan, all options and warrants to purchase the Company s Old Common Stock existing as of the petition date were canceled. At October 31, 2002, there were no options to purchase the Company s Replacement Common Stock outstanding.

The Reorganization Plan authorized the Angeion Corporation 2002 Stock Option Plan (2002 Stock Option Plan). The Company has reserved 600,000 shares of its Replacement Common Stock for issuance upon exercise of stock options to be issued to employees under the 2002 Stock Option Plan. During 2003, the Company granted options to purchase 373,800 shares of common stock at a weighted average price of $5.79 per share. None of these options were exercised. The Company did not grant any stock options outside of the 2002 Stock Option Plan.

The 2002 Stock Option Plan provides that incentive stock options and nonqualified stock options to purchase shares of common stock may be granted at prices determined by the Compensation Committee, except that the purchase price of incentive stock options may not be less than 100% of the fair market value of the stock at date of grant. All options expire no later than ten years from date of grant. A summary of the status of the Company s 2002 Stock Option Plan and previous stock option plans as of October 31, 2003 and 2002 and the changes during the periods ended on those dates is presented below:

	Shares	Weighted Average Price
Outstanding at December 31, 2001	678,626	$ 2.06
Granted		
Exercised		
Expired or canceled	(678,626)	2.06
Outstanding at October 31, 2002		
Granted	373,800	5.79
Exercised		
Expired or canceled		
Outstanding at October 31, 2003	373,800	$ 5.79

(11) Leases

The Company leases office and manufacturing space, and various office accessories. The building lease for the Company s present office and manufacturing space expires in June 2004. The Company has entered into a new lease for the same building that expires in June 2009. Lease expenses were $297,000 for the year ended October 31, 2003 and $287,000 for the ten months ended October 31, 2002.

Bankruptcy law empowers a debtor-in-possession to assume or reject executory contracts and unexpired leases and limits the amount that a landlord may claim. The Company previously leased space in Brooklyn Park, Minnesota that served as office, manufacturing and warehouse space for its discontinued ICD business. In May 2000, the Company entered into an agreement that terminated its future rental obligations for approximately 64% of its Brooklyn Park space in exchange for a payment of $476,000. In early 2002, the Company signed a sublease for the balance of the leased Brooklyn Park building. The Company negotiated an amendment with the landlord to the lease that required the Company to make lease payments subsequent to its filing of the Chapter 11 petition through June 2003, and released the Company from all other obligations. The Bankruptcy Court approved this amendment on August 21, 2002. As a result, the Company recognized a $292,000 gain in the third quarter of 2002 by decreasing its liability for future rental obligations. The gain is included in reorganization items. Rent expense for office and production space used in the discontinued ICD business was approximately $258,000 for the ten months ended October 31, 2002.

Future minimum lease payments under operating leases in effect at October 31, 2003 are as follows:

Year ended October 31, (In thousands)	Amount
2004	$ 315
2005	298
2006	303
2007	314
2008	312
Thereafter	211
	$ 1,753

(12) Income Taxes

The Company has a federal net operating loss carry-forward at October 31, 2003 of approximately $129,094,000, which is available to reduce income taxes payable in future years. If not used, this carry forward will expire in years 2004 through 2023. Approximately $10,000,000 of this carry forward will expire over the next five years. In addition, the Company has a general business tax credit carry forward of approximately $1,186,000, which is available to reduce future Federal income taxes, if any. If not used, these carry forwards will expire in years 2004 through 2014. Approximately $670,000 of the general business tax carry forward will expire over the next five years. Under the Tax Reform Act of 1986, the utilization of these tax loss and tax credit carry forwards may be limited as a result of significant changes in ownership.

In December 1999, the Company completed its acquisition of Medical Graphics Corporation. The net operating losses and tax credits of Medical Graphics Corporation on the date of the acquisition are subject to annual limitation under Internal Revenue Code Sections 382 and 383, respectively. The

Company does not believe the utilization of the carry forwards will be significantly limited under the Internal Revenue Code provisions.

The actual tax expense attributable to income from continuing operations differs from the expected tax expense (benefit) computed by applying the U.S. federal corporate income tax rate of 34% to the net loss as follows:

	Year Ended October 31, 2003	Ten Months Ended October 31, 2002
Federal statutory rate	34.0%	34.0%
Bankruptcy reorganization	0.0	(114.0)
Change in Federal valuation allowance	(33.3)	81.2
Miscellaneous	(0.7)	4.3
Effective income taxes	0.0%	5.5%

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities are presented below:

(In thousands)	October 31, 2003	October 31, 2002
Deferred tax assets:		
Net operating loss carry-forwards	$ 50,542	$ 50,070
General business tax credits	1,186	1,186
Other	587	362
Valuation allowance	(49,955)	(49,006)
Total deferred tax assets	2,360	2,612
Deferred tax liabilities:		
Intangible assets	1,869	2,128
Fixed assets	468	463
Other	23	21
Total deferred tax liabilities	2,360	2,612
Net deferred income tax asset (liability)	$ 0	$ 0

The valuation allowance for deferred tax assets as of October 31, 2003 and 2002 was $49,955,000 and $49,006,000, respectively. The total valuation allowance increased $949,000 for the year ended October 31, 2003 and decreased $1,365,000 for the ten months ended October 31, 2002. In assessing the need for a valuation allowance, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment.

(13) Employee Benefit Plans

401(k) Savings Plan

Substantially all employees are eligible to participate in the 401(k) Savings Plan (Savings Plan). Employees may make pre-tax voluntary contributions to their individual accounts up to a

maximum of 50% of their aggregate compensation, but not more than currently allowable Internal Revenue Service limitations. The Savings Plan permits matching and discretionary employer contributions. The Company matches 1% of up to 4% of an employee s annual compensation. Company contributions to the Savings Plan were $47,000 for the year ended October 31, 2003 and $39,000 for the ten months ended October 31, 2002. Employee participants in the Savings Plan may allocate their account balances among 14 different funds available through the Custodian.

Employee Stock Purchase Plan

On May 14, 2003, the Shareholders of the Company adopted the Angeion Corporation 2003 Employee Stock Purchase Plan (Stock Plan) and authorized the issuance of 100,000 shares under the Plan. The previous Stock Purchase Plan was terminated under the Company s filing of the Chapter 11 bankruptcy action. The Stock Plan is available to all employees subject to certain eligibility requirements. Terms of the Stock Plan provide that participating employees may purchase the Company s common stock on a voluntary after tax basis. Employees may purchase the Company s common stock at a price that is no less than the lower of 85% of the fair market value of one share of common stock at the beginning or end of each stock purchase period. The Company did not issue any shares during the year ended October 31, 2003.

(14) Reporting Comprehensive Income

The Company s net loss and comprehensive loss are equivalent and therefore are not presented separately.

(15) Segment Reporting

The Company operates in a single industry segment, medical products. For management purposes, the Company is segmented into two geographic areas. Net sales for these areas are shown in the following table.

(In thousands)	Year Ended October 31, 2003	Ten Months Ended October 31, 2002
Revenues from unaffiliated customers		
United States	$ 15,740	$ 11,178
Foreign countries	2,972	2,224
	$ 18,712	$ 13,402

Substantially all of the Company s long-lived assets are located at the Company s facilities in the United States.

(16) Discontinued Operations

Overview

During March 2000, the Company announced its decision to discontinue the development, manufacture and distribution of medical devices that treat irregular heartbeats (arrhythmias), products known as implantable cardioverter defibrillator (ICD) systems. Accordingly, the ICD business is

accounted for as a discontinued operation and amounts in the financial statements and related notes for all periods shown reflect discontinued operations accounting. Operating results of the discontinued ICD business are summarized as follows:

(In thousands)	Year Ended October 31, 2003	Ten Months Ended October 31, 2002
Revenues	$	$
Loss from discontinued operations	$ (235)	$

Lease

The Company was obligated under a lease for approximately 29,000 square feet of office and manufacturing space located in Plymouth/Brooklyn Park, Minnesota. The Company negotiated an amendment to the lease that required the Company to continue making lease payments subsequent to its filing of the Chapter 11 petition through June 2003, and released the Company from all other obligations. See Note 11, Leases.

Contingencies

In a previous agreement with ELA Medical, the Company retained potential product liability obligations from patients and agreed to maintain product liability insurance through May 10, 2004 with limits of liability at least as high as those previously in place, subject to availability on commercially reasonable terms. In addition, the Company transferred operating responsibilities for its 2020 Series ICD s to ELA Medical on May 11, 1999.

ELA Medical advised Angeion in a letter dated June 6, 2002 that some of the ICD s formerly manufactured by Angeion were experiencing premature battery depletion. Following the June 6, 2002 letter, Angeion advised the attending physicians of the patients with these ICD s of the problems and provided a recommended procedure to determine what action is required. The text of these letters was reviewed and orally approved by the FDA during a site visit at Angeion. ELA Medical thereafter distributed both letters to physicians who subsequently reported that the devices in question had been implanted in 385 patients, excluding the 14 explantations previously reported in the June 6, 2002 letter. On July 31, 2002, the FDA issued a Field Corrective Action Report providing that the Angeion Lyra Model 2020, 2021, and 2022 ICD s be replaced (Field Corrective Action # Z-1152-2/Z-1154-2) because the devices could stop providing therapy due to premature battery depletion.

ELA Medical subsequently provided notice on June 18, 2003 for indemnification by Angeion for replacement of the ICD s pursuant to the 1997 Supply Agreements. ELA Medical has advised Angeion that ELA Medical had been regularly monitoring explantations of the Products in patients and compiling an assessment of the costs borne by ELA Medical, including, without limitation, the costs of (i) locating and contacting patients and customers, (ii) explantation of the recalled Products and implantation of replacement devices, and (iii) replacement devices for all recalled Products through June 30, 2003. Moreover, ELA Medical (i) provided additional information regarding cost breakdown and (ii) included copies of analysis reports for initial explanted devices, and (iii) provided notice of a potential claim made by the family of a deceased patient who was implanted with the recalled ICD in question. ELA Medical advised the Company that between June 6, 2002 and June 30, 2003, a total of 111 explantations have occurred (excluding the first 14 explantations previously reported) and that all of the associated costs and

expenses were borne by ELA Medical. ELA Medical estimated that it had suffered costs in excess of 1,090,044 euros (approximately $1,276,000 at October 31, 2003) through June 30, 2003. ELA Medical indicated that it would compile information regarding any additional costs as they become available and would advise Angeion accordingly. ELA Medical has advised Angeion that 226 devices remain implanted in patients.

The Company has insurance policies aggregating $50 million of product liability insurance coverage, subject to $50,000 self-insured retention per occurrence, $500,000 aggregate, which expire on May 11, 2004. The Company has conducted a preliminary investigation into the cause of the premature battery failure and has tentatively determined that an integrated circuit chip is the single cause of the premature battery depletion in the units. Based on the language of its insurance policies, the Company believes that the battery failure is a single occurrence within the meaning of the insurance coverage and that therefore; the applicable self-retention is $50,000. Although one insurance carrier has raised the issue whether this is a single or multiple occurrences and has asserted each explantation is an occurrence, the Company believes that the failures were due to one occurrence and has advised the carrier accordingly. There can be no assurance, however, that a more thorough investigation might not result in additional facts that support other causes of the premature battery depletion. In addition, there can be no assurance that the insurance carrier will agree with the Company s analysis.

The Company believes that although it has some liability to ELA Medical, for several reasons, it is not liable to ELA Medical for the entire amount alleged. The Company further believes that a certain portion of the amount expended by ELA Medical may not be covered by insurance. The Company currently believes that the amount of its potential liability to ELA Medical ranges from $991,000 to $1,276,000 and has recorded a liability of $991,000 at October 31, 2003. The Company also believes it is probable that at least $756,000 of any claims ultimately paid to ELA Medical are recoverable under existing insurance policies. As a result, the Company recorded a loss of $235,000 to reflect its liability associated with this claim. This loss is net of probable insurance recoveries and includes other expenses associated with the claim.

The ultimate amount of both the liability due to ELA Medical and the amount recoverable from the insurance carriers is subject to future development and additional information. The amounts currently estimated for the claim and associated expenses as well as the probable insurance recovery are based on data provided by ELA Medical for explanations that occurred through June 30, 2003 and other information related to the cause of the battery depletion. Since 226 devices remain implanted in patients at June 30, 2003, the amount of the claim may increase. While it is not possible to predict the ultimate amount of the claim or the associated expenses, the Company believes that if the amount of the claim increases, the amount recoverable from the insurance company would also increase. In addition, the Company s liability insurance coverage for claims associated with its ICD products expires on May 11, 2004. The Company may incur additional expenses, which could be substantial, in connection with any purchase of insurance allowing an additional claims reporting period.

(17) License for Proprietary Technology

On September 19, 2002, the Company entered into a Settlement and License Agreement (Settlement Agreement) with Biotronik, Inc. (Biotronik) pursuant to which the Company granted to Biotronik a perpetual, non-exclusive license to use the Company s cardiac stimulation technology. In return, Biotronik agreed to make a one-time cash payment of $4,000,000. As a result, the Company recorded license revenue of $2,900,000 relating to the Settlement Agreement, which is net of the related transaction expenses of $1,100,000.

(18) Royalty Commitments

In March 2000, the Company agreed to pay royalties to AeroSport, Inc. for net sales of products covered by AeroSport s patented technology. The royalties are to be 5% of net sales subject to a minimum royalty of $100,000 per calendar year until December 31, 2006. The aggregate amount of

royalties is limited to $850,000 with a minimum of $700,000. The Company incurred $100,000 in royalty expenses for the year ended October 31, 2003 and $83,000 for the ten months ended October 31, 2002 related to this commitment.

The Company has an agreement with INTER$_X$VENT^{USA}, a Georgia corporation engaged in the business of developing and delivering risk assessment and lifestyle management materials and services to patients for improved cardio-vascular health, under which it obtained a perpetual license to use certain INTER$_X$VENT^{USA} intellectual property as part of a custom developed private label product that is a web enabled self-help lifestyle management program. The Company agreed to make royalty payments of 15% on all amounts received for the program with a $5.00 per participant minimum applicable to each consumer. The Company began marketing this new product during FY 2003 under the New Leaf brand and makes it available to all New Leaf Personal Exercise System delivery sites. The Company incurred $2,000 in royalty expenses for the year ended October 31, 2003 related to this commitment.

On September 10, 2003, the Company entered into a Technology License Agreement with EPM Development Systems Corporation, d/b/a Newlife (Newlife), under which the Company obtained from Newlife a license related to the design and manufacture of talking heart rate monitors. In return for the license, the Company made a nonrefundable payment of $100,000 and further agreed to pay royalties ranging from $4.00 to $10.00 for each unit sold. The royalties for certain units are limited to the greater of $5.00 for each unit sold within three years or $50,000. Royalties covering the remaining units are limited to $2,000,000 at which time the license shall be deemed to be a fully paid up. There have been no royalty expenses incurred under this agreement.

(19) Litigation

The Company is also subject to certain claims and lawsuits that have been filed in the ordinary course of business. In addition, the Company initiates lawsuits from time to time in an effort to seek collection of amounts due from customers and/or vendors. It is management s opinion that the settlement of all litigation arising in the ordinary course of business would not have a material effect on the financial position, results of operations or liquidity of the Company.

Item 8. Changes In and Disagreements With Accountants on Accounting and Financial Disclosure.

None

Item 8A. Controls and Procedures.

(a) Evaluation of Disclosure Controls and Procedures.

The Company s Chief Executive Officer, Richard E. Jahnke, and Chief Financial Officer, Dale H. Johnson, have evaluated the Company s disclosure controls and procedures as of the end of the period covered by this report. Based upon that review, they have concluded that these controls and procedures are effective in ensuring that material information related to the Company is made known to them by others within the Company.

(b) Changes in Internal Controls.

There have been no significant changes in internal control over financial reporting that occurred during the last quarter covered by this report or from the end of the reporting period to the date of this Form 10-KSB.

PART III

Item 9. Directors and Executive Officers of the Registrant.

Information About Directors

The following table sets forth certain information regarding the Company s directors as of January 5, 2004.

Name of Director	Age	Principal Occupation	Director Since

Arnold A. Angeloni	61	Consultant, Manchester Companies	1990
Richard E. Jahnke	55	President and Chief Executive Officer of the Company	2000
John C. Penn	63	President and Chief Executive Officer of Intek Plastics, Inc.	2000
Jeffrey T. Schmitz	40	Senior Financial Analyst, Deephaven Capital Management	2002

Other Information About Directors

Arnold A. Angeloni is currently a consultant with Manchester Companies, a multi-disciplinary professional services firm that provides management and financial advisory and business recovery services to small and middle market companies. Until 2003, he was President of Gateway Alliance II, a

consulting firm for start-up ventures. Prior to co-founding Gateway in 1996, Mr. Angeloni held various senior executive positions with Deluxe Corporation, a publicly held printing and financial services company. Over his 30-year career with Deluxe, Mr. Angeloni served as President of the $1.2 billion Check Printing Division and a President of the $400 million Business Systems Division.

Richard E. Jahnke has served as the Company s President and Chief Executive Officer since January 2000. Since August 1998, Mr. Jahnke has also served as the President and Chief Executive Officer of Medical Graphics. From 1993 to March 1998, Mr. Jahnke served as President and Chief Operating Officer of CNS, Inc., a consumer health care products company. From 1991 to 1993, he was Executive Vice President and Chief Operating Officer of Lemna Corporation, which manufacturers and sells waste water treatment systems. From 1986 to 1991, Mr. Jahnke was general manager of the government operations division of ADC Telecommunications, an electronic communications systems manufacturer. From 1982 to 1986, he was Director of Marketing and Business and Technical Development at BMC Industries, Inc. From 1972 to 1982, he held various positions of increasing responsibility in engineering, sales and marketing management at 3M Company. Mr. Jahnke serves on the board of directors of Compex Technologies, Inc. (formerly Rehabilicare, Inc.), and The Science Museum of Minnesota.

John C. Penn became the President and CEO of Intek Plastics, Inc. on April 1, 2003 after serving 15 years as its outside Chairman of the Board. The company is a privately owned plastic extruder located in Hastings, Minnesota. He had been Vice Chairman and Chief Executive Officer of the Satellite Companies since 1998. From 1990 to 1997, Mr. Penn was the President and Chief Executive Officer of Centers for Diagnostic Imaging. Previously, he served in a senior management capacity in various manufacturing companies. Mr. Penn serves and has served on the Board of Directors of several private and public corporations. He also served as a director of Medical Graphics from December 1996 to December 1999.

Jeffrey T. Schmitz has over 15 years of financial management experience between the commercial banking and asset management fields. Since February 1999, Mr. Schmitz has been a senior financial analyst at Deephaven Capital Management, a market neutral investment fund. Prior to that, he worked for Cargill Financial Services, Inc. from 1996 to 1998. Mr. Schmitz is a Chartered Financial Analyst (CFA).

EXECUTIVE OFFICERS OF THE COMPANY

Set forth below is biographical and other information on the executive officers of the Company. Mr. Jahnke s biographical information is set forth above under Information About Directors.

Name of officer	Age	Title

Richard E. Jahnke	55	President and Chief Executive Officer
Dale H. Johnson	59	Chief Financial Officer

Dale H. Johnson, CPA, inactive, was appointed Chief Financial Officer in January 2000. Prior to joining the Company, Mr. Johnson served as the Chief Financial Officer of Medical Graphics from March 1997 to December 1999. From 1995 to 1997, Mr. Johnson served as a consultant to various companies in financial distress. From 1994 to 1995, he served as Chief Financial Officer to Larson Companies, a privately owned group of heavy truck dealerships. From 1991 to 1994, he served as Chief Financial Officer to National Marrow Donor Program. From 1971 to 1986, he served as Chief Financial Officer for the Pepsi subsidiary of MEI Corporation. In 1986, PepsiCo, Inc. acquired MEI Corporation

and thereafter Mr. Johnson served as Area Chief Financial Officer to PepsiCo, Inc. During the previous five years, he worked as an accountant with Arthur Andersen & Co. and served as a finance officer in the United States Army. Mr. Johnson holds a B.A. in Economics and Accounting from St. John s University and is a Certified Public Accountant.

Section 16(a) Beneficial Ownership Reporting Compliance.

To the Company s knowledge, based solely on a review of the copies of such reports furnished to the Company and written representations that no other reports were required, during the fiscal year ended October 31, 2003, all Section 16(a) filing requirements applicable to its officers, directors and greater than ten percent beneficial owners were complied with, except that Messrs. Jahnke and Johnson were late in filing their Statement of Changes in Beneficial Ownership on Form 4 to report the granting of stock options.

Item 10. Executive Compensation.

Summary of Cash and Certain Other Compensation. The following table sets forth the cash and non-cash compensation for the year ended October 31, 2003, for the ten months ended October 31, 2002 and the year ended December 31, 2001 earned by, or awarded to Mr. Jahnke who served as the Chief Executive Officer of the Company and the only other executive officer of the Company whose total cash compensation exceeds $100,000 (Named Executive Officers) in 2003.

		Annual Compensation			Long Term Compensation		
Name and Principal Position	**Period/ Year (1)**	**Salary**	**Bonus**	**Other Annual Compensation**	**Restricted Stock Award ($)**	**Securities Underlying Options (#)**	**All Other Compensation (2)**
Richard E. Jahnke	2003	$ 267,692	$ 159,705	$	$	158,000	$ 7,200
President and	2002	224,231	18,550				6,092
Chief Executive Officer	2001	265,000				80,000	7,200
Dale H. Johnson	2003	122,269	38,177			27,800	
Chief Financial Officer	2002	100,269	8,295				
	2001	117,558				27,000	

(1) All amounts for 2002 are for the ten months ended October 31, 2002.

(2) Other compensation amounts represent an automobile allowance paid by the Company.

Grants of Stock Options

On October 25, 2002, the effective date of the Plan of Reorganization, the Company was deemed to have adopted the Angeion Corporation 2002 Stock Option Plan (2002 Stock Option Plan). The 2002 Stock Option Plan authorizes issuance of up to 600,000 shares of Replacement Common Stock, but provides that options to purchase no more than 359,463 shares may be issued during the two (2) years after October 24, 2002 without the approval of the Reorganized Board of Directors, including the board representatives of the Unsecured Creditors Committee. There were 359,800 and 14,000 options to purchase the Company s stock granted to employees and directors, respectively, during the year ended October 31, 2003. Accordingly, the following table provides information concerning grants of options to purchase the Company s common stock made during the year ended October 31, 2003 to the Named Executive Officers.

Individual Grants

Name	Number of Securities Underlying Options Granted (#) (1)	% Of Total Options Granted to Employees in 2003	Exercise Price Per Share ($/share)	Expiration Date
Richard E. Jahnke	42,000	11.7	2.00	10/6/2013
	48,000	13.3	6.23	10/6/2013
	68,000	18.9	7.79	10/6/2013
Dale H. Johnson	7,500	2.1	2.00	10/6/2013
	8,000	2.2	6.23	10/6/2013
	12,300	3.4	7.79	10/6/2013

Exercises of Stock Options and Year-End Option Values

Under the Plan of Reorganization, all warrants and options to purchase the Company s Old Common Stock existing as of June 17, 2002 were canceled effective October 25, 2002. Since all previous warrants and options were canceled, the only options to purchase common stock outstanding at October 31, 2003 are the options granted during the year ended October 31, 2003. Accordingly, the following table provides information concerning option exercises during 2003 and the exercisable and unexercisable value of options held by Named Executive Officers as of October 31, 2003. The value of unexercised in-the-money options is based on the closing price of Angeion common stock on October 31, 2003 of $2.20 per share, minus the exercise price, multiplied by the number of shares issuable upon exercise of the options. These values have not been, and may never be, realized.

Name	Shares acquired on exercise	Value Realized	Number of Securities Underlying Unexercised Options at October 31, 2003 (#)		Value of Unexercised In-the-money Options at October 31, 2003 ($)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Richard E. Jahnke			70,666	87,334	$	8,400
Dale H. Johnson			12,100	15,700	$	1,500

Compensation of Directors

There were no cash payments, grants of common stock or options to purchase common stock made to non-employee directors of the Company during the ten months ended October 31, 2002 and the Company s 1994 Non-Employee Director Plan was terminated under the Plan of Reorganization.

During 2003, the Board of Directors adopted a new policy for cash and equity compensation to be paid to members of the Board of Directors and committees of the Board of Directors effective as of November 1, 2002. This new compensation

policy is in line with compensation paid to directors of comparable companies, recognizes the workload and responsibilities of the board and committee

members and will enable Angeion to attract qualified directors when needed. The new board compensation plan is detailed as follows:

(1) Each non-employee director will receive a quarterly retainer of $2,000 and $500 for each meeting attended in person or telephonically.

(2) Each non-employee member of each standing committee will receive an additional fee of $250 for each meeting attended in person or telephonically.

(3) Each non-employee director will receive an annual stock option grant for 7,000 shares.

During the 2003 fiscal year, non-employee directors were each paid $6,000 in retainer fees and $1,500 for attending meetings of the Board of Directors. Fees paid for attendance of committee meetings aggregated $4,000 and $3,750 for the Audit Committee and Compensation Committee, respectively.

Employment Agreements

In December 1999, the Company entered into a written employment agreement with Richard E. Jahnke under which Mr. Jahnke agreed to serve as President and Chief Executive Officer of the Company. In September 2003, the Company extended Mr. Jahnke s employment through October 31, 2004. In exchange for his service, Mr. Jahnke receives an annual salary of $270,000, and is entitled to earn a cash bonus of up to 35% of his annual salary based upon achievement of certain objectives in a bonus plan established by the Board of Directors. In addition, if Mr. Jahnke remains as President and Chief Executive Officer of the Company through October 31, 2004, (i) he will become fully vested in the options granted to him in September 2003, (with the ability to exercise the options granted at a price of $2.00 per share subject to the time periods and achievement of price levels specified in the options) and (ii) he will be entitled to a two-thirds pro rata payment under the Angeion three year long term incentive plan if payouts are earned under the plan in the three year period ending October 31, 2005. Mr. Jahnke was also elected as a member of the Board of Directors in January 2000 and receives no additional compensation for this service. The agreement will terminate upon 30 days written notice by either party, upon notice by the Company of termination for cause or upon the event of Mr. Jahnke s death or disability. The agreement also contains a non-compete provision for one year after the termination of Mr. Jahnke s employment.

Audit Committee and Audit Committee Financial Expert

The Board of Directors has an Audit Committee (Committee) comprised of John C. Penn (Chair) and Arnold A. Angeloni. The Committee operates under an Audit Committee Charter as amended March 27, 2002. Each of the members of the Committee is an independent director as defined by the Nasdaq Small Cap Market listing standards. The Company s Board of Directors has reviewed the education, experience and other qualifications of each of the members of its Audit Committee. After review, the Board of Directors has determined that Mr. Penn meets the Securities and Exchange Commission definition of an audit committee financial expert.

Code of Ethics

The Company has adopted a Code of Business Conduct and Ethics Policy that applies to all directors and employees, including the Company s principal executive officer, principal financial officer, principal accounting officer or controller, and persons performing similar functions. A copy of the Code of Ethics and Business Conduct may be obtained upon request from the Company.

Management time and litigation

The investigation and defense of claims and any related proceedings could result in a diversion of effort by the Company s technical and management personnel.

Item 11. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The following table sets forth information as of January 5, 2004 concerning the beneficial ownership of the common stock of the Company by (i) the only shareholders known by the Company to own more than five percent of the common stock of the Company, (ii) each director of the Company, (iii) each officer listed in the Summary Compensation Table (Named Executive Officers) and each current executive officer, and (iv) all executive officers and directors of the Company as a group.

Name of Beneficial Owner	Shares of Common Stock (1)	Shares Acquirable within 60 days	Total	Percentage

Deephaven Capital Management, LLC (2) 130 Cheshire Lane Minnetonka, MN 55305	758,658		758,658	21.1%
Loews Corporation (3) 667 Madison Avenue New York, New York 10021	356,665		356,665	9.9%
Brantrock Advisors, Inc. (4) 9465 Wilshire Boulevard Beverly Hills, CA 90212	337,332		337,332	9.4%
Cincinnati Financial Corp (5) 6200 S. Gilmore Road Fairfield, OH 45014	252,999		252,999	7.0%
Arnold A. Angeloni	1,816	7,000	8,816	*
Richard E. Jahnke	1,010	70,666	71,676	2.0
Dale H. Johnson	4,000	12,100	16,100	*
John C. Penn	1,105	7,000	8,105	*
Jeffrey T. Schmitz(2)				
All executive officers and directors as a group (5 persons)	766,589	96,766	863,355	23.4

* Indicates ownership of less than one percent.

(1) Except as noted, all shares beneficially owned by each person as of the record date were owned of record, and each person had sole voting power and sole investment power for all such shares beneficially held.

(2) Based on a Schedule 13G dated October 31, 2002, and filed with the SEC. For purposes of this table, Mr. Schmitz is deemed to have voting and dispositive power over the 758,658 shares controlled by Deephaven Capital Management, LLC. Mr. Schmitz is a senior financial analyst at Deephaven Capital Management, LLC and is the current designee of the Creditors Committee. Mr. Schmitz disclaims any beneficial ownership in the shares controlled by Deephaven.

(3) Based on a Schedule 13G dated November 4, 2003, and filed with the SEC.

(4) Based on a Schedule 13G dated February 12, 2003, and filed with the SEC.

(5) Based on a Schedule 13G dated May 6, 2003, and filed with the SEC.

Item 12. Certain Relationships and Related Transactions.

None.

Item 13. Exhibits and Reports on Form 8-K.

(a) 1. Financial Statements of Registrant

The following financial statements of Angeion Corporation and subsidiaries are set forth in Item 7 of this Form 10-KSB:

Consolidated Balance Sheets as of October 31, 2003 and 2002.

Consolidated Statements of Operations for the year ended October 31, 2003 and the ten months ended October 31, 2002.

Consolidated Statements of Shareholders Equity for the year ended October 31, 2003 and for the ten months ended October 31, 2002.

Consolidated Statements of Cash Flows for the year ended October 31, 2003 and for the ten months ended October 31, 2002.

Notes to Consolidated Financial Statements.

(a) 2. Financial Statement Schedules

Independent Auditors Report on Schedule

Schedule II – Valuation and Qualifying Accounts

2. Exhibits

3.1 Angeion Amended and Restated Articles of Incorporation (incorporated by reference to Exhibit 3.1 contained in the Company s Registration Statement on Form 8-A as filed on October 25, 2002).

3.2 Angeion Amended and Restated Bylaws (incorporated by reference to Exhibit 3.2 contained in the Company s Registration Statement on Form 8-A (File No. 001-13543) filed on October 25, 2002).

4.1 Form of the Company s Common Stock Certificate (incorporated by reference to Exhibit 4.1 contained in the Company s Registration Statement on Form 8-A (File No. 001-13543) filed on October 25, 2002).

4.2 Form of the Company s Warrant Certificate (incorporated by reference to Exhibit 4.2 contained in the Company s Registration Statement on Form 8-A (File No. 001-13543) filed on October 25, 2002).

4.3 Warrant Agreement dated October 25, 2002, between Angeion Corporation and Wells Fargo Minnesota, N.A., as Warrant Agent (incorporated by reference to Exhibit 4.3 contained in the Company s Registration Statement on Form 8-A (File No. 001-13543) filed on October 25, 2002).

10.1 *Angeion Corporation 2002 Stock Option Plan (incorporated by reference to Exhibit 4.1 contained in the Company s Registration Statement on Form S-8 (File No. 333-102168) filed on December 23, 2002).

10.2 *Angeion Corporation 2003 Employee Stock Purchase Plan (incorporated by reference to Exhibit 4.1 contained in the Company s Registration Statement on Form S-8 (File No. 333-102171) filed on December 23, 2002).

10.4 *Angeion Form of Change in Control Agreement (incorporated by reference to Exhibit 10.25 contained in the Company s Annual Report on Form 10-K for the year ended July 31, 1997).

10.5 *Employment Agreement dated December 21, 1999 between Angeion and Richard E. Jahnke (incorporated by reference to Exhibit 10.10 contained in the Company s Annual Report on Form 10-K for the year ended December 31, 1999 (File No. 0-9899)).

10.6 Lease dated December 31, 2003 between Vadnais Heights Investment Company, MCH Capital, LLC., Robert Tipler and Richard K. Mathews (collectively Lessor) and Angeion Corporation and Medical Graphics Corporation, (collectively Lessee), for 350 Oak Grove Parkway, St. Paul, Minnesota.

22.1 List of Subsidiaries.

23.1 Independent Auditors Consent of KPMG LLP.

31. Certification pursuant to 13a-14 and 15d-14 of the Exchange Act.

32. Certifications pursuant to 18 U.S.C. § 1350.

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* Management contract, compensatory plan or arrangement required to be filed as an exhibit to this Form 10-K.

(b) Reports on Form 8-K

On September 16, 2003, the Company filed a Current Report on Form 8-K dated September 15, 2003 reporting under Item 9, Regulation FD Disclosure. The Company reported that it had filed a press release on September 15, 2003 that disclosed material non-public information regarding its results of operations for the three and nine months ended July 31, 2003.

Item 14. Principal Accountant Fees and Services

Not yet applicable.

SIGNATURES

Pursuant to the requirements of the Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ANGEION CORPORATION
(Registrant)

January 29, 2004

By /s/ Richard E. Jahnke
Richard E. Jahnke
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Each of the undersigned hereby constitutes and appoints Richard E. Jahnke and Dale H. Johnson as the undersigned s true and lawful attorneys-in-fact and agents, each acting alone, with full power of substitution and resubstitution, for the undersigned and in the undersigned s name, place and stead, in any and all capacities, to sign any of all amendments to this Annual Report on Form 10-KSB and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, each acting alone, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as the undersigned might or could do in person, hereby ratifying and confirming all said attorneys-in-fact and agents, each acting alone, or may lawfully do or cause to be done by virtue thereof.

Signature	Title
/s/ Richard E. Jahnke Richard E. Jahnke	President, Chief Executive Officer (Principal Executive Officer)
/s/ Dale H. Johnson Dale H. Johnson	Chief Financial Officer (Principal Financial and Accounting Officer)
/s/ Arnold A. Angeloni Arnold A. Angeloni	Director
/s/ John C. Penn John C. Penn	Director
/s/ Jeffrey T. Schmitz Jeffrey T. Schmitz	Director

INDEPENDENT AUDITORS REPORT ON SCHEDULE

The Board of Directors

Angeion Corporation:

Under the date of November 26, 2003, except as to Note 16, which is as of January 26, 2004, we reported on the consolidated balance sheets of Angeion Corporation and subsidiaries as of October 31, 2003 and 2002 (successor company) and the related consolidated statements of operations, cash flows, and shareholders equity for the year ended October 31, 2003 (successor company) and for the ten months ended October 31, 2002 (predecessor company). Our report refers to the Company s adoption of the provisions of Statement of Position 90-7 for fresh-start reporting on October 31, 2002. In connection with our audits of the aforementioned consolidated financial statements, we also have audited the related financial statement schedule as listed in the accompanying index. The financial statement schedule is the responsibility of the Company s management. Our responsibility is to express an opinion on the financial statement schedule based on our audits.

In our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ KPMG LLP

Minneapolis, Minnesota
November 26, 2003

ANGEION CORPORATION AND SUBSIDIARIES

SCHEDULE II

Valuation and Qualifying Accounts
Year Ended October 31, 2003 and Ten Months Ended October 31, 2002
(In Thousands)

Description	Balance at Beginning of Year	Additions	Deletions	Balance at End of Year
Year ended October 31, 2003				
Allowance for doubtful accounts	$ 312	$ 120	$ (4)	$ 428
Ten Months ended October 31, 2002				
Allowance for doubtful accounts	244	100	(32)	312