ANGEION CORP/MN
Form 10-K
January 31, 2011

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
for the fiscal year ended October 31, 2010.
OR
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the transition period from _____to _____.

Commission File Number 001-13543

ANGEION CORPORATION

(Exact name of registrant as specified in its charter)

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

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

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

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

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

Name of Exchange on Which Registered: **NASDAQ Capital Market**

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes o No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of accelerated filer, large accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act: (Check one)

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

The aggregate value of the Company s Common Stock held by non-affiliates of the Company was approximately $16,544,000 as of the last day of the Company s most recently completed second fiscal quarter, when the last reported sales price was $4.83 per share.

As of January 15, 2011, the Company had outstanding 3,755,226 shares of Common Stock, $0.10 par value.

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PART I

Item 1. Business.

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

Overview

The Company is a medical device manufacturer with revenues of $29.0 million for the year ended October 31, 2010. Domestic product sales and service revenue accounted for 78.0% of fiscal 2010 revenue while international product sales accounted for the remaining 22.0%. The Company, through its Medical Graphics Corporation subsidiary, designs and markets non-invasive cardiorespiratory diagnostic systems that are sold under the MedGraphics and New Leaf brand and trade names. These cardiorespiratory diagnostic systems have a wide range of applications in healthcare, wellness, and health and fitness. Revenue consists of equipment and supply sales as well as service revenue. Equipment and supply sales reflect sales of non-invasive cardiorespiratory diagnostic equipment and aftermarket sales of peripherals and supplies. Service revenue consists of revenue from extended service contracts, non-warranty service visits and additional training.

(a) General Development of Business.

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

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

In December 1999, Angeion acquired Medical Graphics Corporation.

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

(b) Financial Information about Industry Segments.

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

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(c) Narrative Description of Business.

General

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

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

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

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

Seasonality

The Company experiences some seasonality in its revenues, with the fourth quarter of its fiscal year traditionally being its strongest quarter. The Company experiences variability in the other three quarters due to a number of factors, including customer budget cycles, product introductions, Company sales incentive programs, general economic conditions and the timing of customer orders. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations-Seasonality.”

Pulmonary Function Systems

Health care professionals use assessment of pulmonary function to diagnose lung diseases such as asthma, emphysema and COPD and to 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.

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

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

Ultima PF. The Ultima PF Series is MedGraphics complete pulmonary function system. The Ultima PF is available as a desktop or cart-mounted module that performs spirometry, rapid, non-invasive measurement of an individual s lung capacity, respiratory pressures and ability to transfer oxygen across the lungs into and out of the bloodstream.

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

The Platinum Elite Series is available in two primary configurations:

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

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

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

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

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

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Cardiopulmonary Exercise Testing Systems

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

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

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

The Ultima Series is sold in the following different configurations**:**

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

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

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

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

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

VO$_{2000}$. The VO$_{2000}$ is a portable/ambulatory version that can transmit data via telemetry. In addition to uses for exercise and nutritional requirements, these portable and wearable products include assessment of work capacity in occupational medicine and physical therapy as well as field training of amateur and elite athletes during participation in their actual events. The reconfigured VO$_{2000}$ technology platform is a key component of the Company s New Leaf Active Metabolic Training System health and fitness product.

Applications for the Ultima CPX, Ultima CCM, CPX Express, CCM Express and VO$_{2000}$ exercise and metabolic systems include distinguishing between cardiovascular and pulmonary disease, screening for early signs of cardiac and pulmonary dysfunction, establishing exercise prescriptions and training programs and evaluating the efficacy of prescribed therapy and determining appropriate nutritional supports requirements. Customers include hospital cardiopulmonary laboratories, cardiology and pulmonary office-based clinics, critical care units, cardiac rehabilitation units, weight loss clinics, human performance laboratories and health clubs.

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Cycle Ergometers and Treadmills

The Company offers several models of exercise devices providing healthcare professionals and patients a tool for improved diagnosis and 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. The Company sells cycle ergometers and treadmills that are used in diagnostic, rehabilitation, training and sports medicine applications. These ergometers and treadmills can be used and controlled by the Company s cardiopulmonary exercise testing systems.

Electronic Medical Records Interfaces

The Company offers BreezeConnect software, installation and support for communications interfaces between the Company s products and the new electronic medical records systems that are being developed and placed into use in hospital and clinical settings. These new electronic medical record systems are designed to facilitate more complete, rapid transmission of patient and test results between the core patient care and management systems and equipment. These patient and management systems are intended to improve the quality of care and reduce operating costs through improved accuracy, timeliness and efficiency of records management.

Competition

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

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

The Company believes competition based on price will continue to be an important factor in customer purchasing patterns as a result of healthcare cost containment pressures in the health care industry. Price competition may exert downward pressure on prices the Company is able to charge for its products. We cannot ensure that we will be able to offset any downward price pressure through corresponding cost reductions. Any failure to offset this pressure could have an adverse effect on the Company s business, results of operations or financial condition.

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

Manufacturing

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

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

Marketing and Distribution

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

On the healthcare end of the continuum, the MedGraphics branded products are sold to hospitals, physician offices, clinics, pulmonary physicians, cardiologists, critical care physicians, rehabilitation professionals and physical therapy professionals. The Company also supplies medical equipment and support for clinical research trials. On the fitness end of the continuum, the New Leaf branded products are sold to health and fitness clubs, corporations, weight loss centers, training studios, personal trainers and coaches.

Each domestic salesperson is responsible for a specific geographic area and is compensated with a base salary, expense reimbursement and a territory sales goal commission plan.

Outside the United States, Medical Graphics markets its products through a network of independent distributors. During fiscal 2010, Medical Graphics used approximately 40 distributors to sell its products into 60 countries. These distributors typically carry a select inventory of MedGraphics and New Leaf products and sell those products in specific geographic areas, generally on an exclusive basis. International revenues accounted for 22.0% and 21.4% of total revenue for the years ended October 31, 2010 and 2009, respectively. All of the Company s international sales are made on a United States dollar-denominated basis to distributors.

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

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

Research and Development

In 2010, Medical Graphics continued to develop new products and implemented product improvements designed to enhance product reliability and improve margins. The Company s research and development initiatives are targeted for hospitals, clinics and physician s offices as well as the health and fitness club markets. An integral component of the Company s future growth strategies includes developing and introducing additional new products.

Research and development expenses were $3.6 million and $3.2 million for the years ended October 31, 2010 and 2009, respectively. Fiscal 2010 expenditures included a significant initiative to migrate the Company s products operating software to a next-generation platform and access added functionality and flexibility provided by emerging software platforms and operating systems, providing the foundation for a future product pipeline of new integrated patient care and consumer health programs.

Intellectual Property

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

The Company relies on a combination of patent, trademark and trade secret laws to establish proprietary rights in its products. Medical Graphics currently owns 27 United States patents and patents pending and is actively developing and obtaining additional patents. These patents cover the various aspects of Medical Graphics core technologies, including gas analysis, pressure and flow measurement, breath-by-breath assessment of gas exchange data analysis and expert system software. The Company employs various Medical Graphics patents in its New Leaf business model. In addition, Medical Graphics has a number of foreign patents with respect to technologies covered by its United States patents.

Foreign patents generally expire 20 years after the date of original application, but vary from country to country. Medical Graphics intends to aggressively enforce its intellectual property rights and has successfully done so in the past. We cannot ensure, however, that these patents, or any patents that may be issued as a result of existing or future applications, will offer any degree of protection from competitors.

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

Medical Graphics also owns registered trademarks and has applied for other trademarks in the U.S. and certain foreign countries. Medical Graphics owns and actively enforces an array of related copyrights and trademarks. These include but are not limited to: MedGraphics, preVent, BreathPath, BreezeSuite, Ultima PF, Ultima CPX, Ultima CCM, Ultima CCM/D, Ultima PFX, Ultima PF/DX, Ultima CardiO_2, Ultima PF/DX, CPX Express, CCM Express, Elite DX, Elite DL, Platinum Elite DX, Platinum Elite DL, CPF-S/D, CPX/D, CardioPerfect, VO_{2000}, Pulmonary Consult, Exercise Consult, BreezeData, DirectConnect, BreezeConnect, MultiUser and various logos.

Similarly, Medical Graphics owns registered New Leaf trademarks, service marks and copyrights and has applied for others including, but not limited to: New Leaf, ExerSmart, Personal Digital Coach, TRUcal, Active Metabolic Training, ENERGYSmart, eNewLeaf and various logos.

Although patent and intellectual property disputes in the medical device area have often been settled through licensing agreements or similar arrangements, costs associated with these arrangements may be substantial, and we cannot ensure 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. We cannot ensure, 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, we cannot ensure that such infringements do not exist or may not arise in the future. There has been substantial litigation regarding patent and other intellectual property rights in the medical device industry. Litigation, which could result in substantial cost to and diversion of effort by the Company, may be necessary to enforce patents issued to or licensed by the Company, to protect trade secrets or know-how owned by the Company, to defend the Company against claimed infringement of the rights of others, and to determine the scope and validity of the proprietary rights of others. Adverse determinations in litigation could subject the Company to significant liabilities to third parties or could require the Company to seek licenses from third parties.

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Government Regulation

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

Many Class I devices have been exempted from pre-market notification requirements by the FDA. The same types of controls the FDA has used on devices since the passage of the Act in 1938 can adequately regulate these products. These general controls include provisions related to labeling, producer registration, defect notification, records and reports and good manufacturing practices. The more comprehensive Quality System Regulation (QSR) has replaced the good manufacturing practice regulation. As noted below, QSRs include implementation of quality assurance programs, written manufacturing specifications and processing procedures, written distribution procedures and record keeping requirements.

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

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

Class II Requirements

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

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In addition to the requirements described above, the Act requires that all medical device manufacturers and distributors register with the FDA annually and provide the FDA with a list of those medical devices that they distribute commercially. The Act also requires that all manufacturers of medical devices comply with labeling requirements and manufacture devices in accordance with QSRs, which require that companies manufacture their products and maintain their documents in a prescribed manner with respect to manufacturing, testing and quality control. In addition, these manufacturers are subject to inspection on a routine basis for compliance with the QSRs. The FDA s Medical Device Reporting regulation requires that companies provide information to the FDA on death or serious injuries alleged to have been associated with the use of their products, as well as product malfunctions that would likely cause or contribute to death or serious injury if the malfunction were to recur. The FDA further requires that certain medical devices not cleared with the FDA for marketing in the United States meet specific requirements before they are exported. The FDA has authority to inspect the Company s facilities to ensure compliance with the Act and regulations thereunder. Failure to comply with these regulations could have a material adverse effect on the Company s business, financial condition and results of operations. Medical Graphics is registered as a manufacturer with the FDA and successfully passed its most recent FDA audit in March 2008. Also, in December of 2009, the Company successfully passed an FDA audit assessing the data management and quality assurance for recent clinical research trials.

Regulation by Foreign Governments

The Company s products are also subject to regulation similar to that of the FDA in various foreign countries. ISO 13485:2003 certification indicates that a company s development and manufacturing processes comply with standards for quality assurance and manufacturing process control. ISO 13485:2003 certification evidences compliance with the requirements that enable a company to meet the requirements of the Medical Device Directive 93/42/EEC Annex II and allow it to affix the CE Mark to its products. The CE Mark denotes conformity with European standards for safety and allows certified devices to be placed on the market in all European Union (EU) countries. Since June 1998, medical devices cannot be sold in EU countries unless they display the CE Mark. Medical Graphics received ISO 13485:2003 certification for its development and manufacturing processes in 1998 and has passed annual surveillance and recertification audits since 1998. Medical Graphics has achieved CE certification for its primary cardiopulmonary testing products. We cannot ensure, however, that Medical Graphics will be able to obtain regulatory approvals or clearances for our products in foreign countries. In addition to compliance with ISO 13485:2003 certification, the Company s products also meet Part I of the Medical Device Requirements for Canada and the Medical Device Directive 93/42/EEC Annex II.

Employees

As of January 15, 2011, the Company had 119 full-time and 2 part-time employees. No employees are represented by a collective bargaining agreement and the Company has not experienced any work stoppage. Management believes that relations with its employees are good.

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Cautionary Note Regarding Forward-looking Statements

The discussions in this Form 10-K in Business and Management s Discussion and Analysis of Financial Condition and Results of Operations contain forward-looking statements about Angeion s future financial results and business prospects that by their nature involve substantial risks and uncertainties. You can identify these statements by the use of words such as anticipate, believe, estimate, expect, project, intend, plan, will, target, and other words and terms of similar meaning in connection with any discussion of future operating or financial performance or business plans or prospects. Our actual results may differ materially depending on a variety of factors including: (1) national and worldwide economic and capital market conditions; (2) continuing cost-containment efforts in our hospital, clinics, and office market; (3) any changes in the patterns of medical reimbursement that may result from national healthcare reform; (4) our ability to successfully operate our business, including successfully converting our increasing research and development expenditures into new and improved cardiorespiratory diagnostic products and services and selling these products and services under the MedGraphics and New Leaf brand names into existing and new markets; (5) our ability to complete our software development initiative and migrate our MedGraphics platform to a next generation technology; (6) our ability to maintain our cost structure at a level that is appropriate to our near to mid-term revenue expectations and that will enable us to increase revenues and profitability as opportunities develop; (7) our ability to achieve constant margins for our products and consistent and predictable operating expenses in light of variable revenues from our clinical research customers; (8) our ability to expand our international revenue through our distribution partners and our Milan, Italy representative branch office; (9) our ability to successfully defend ourselves from product liability claims related to our cardiorespiratory diagnostic products and claims associated with our prior cardiac stimulation products; (10) our ability to defend our existing intellectual property and obtain protection for intellectual property we develop in the future; (11) our ability to develop and maintain an effective system of internal controls and procedures and disclosure controls and procedures; (12) our dependence on third-party vendors and (13) the ability of new members of our senior management to make a successful transition into their new roles and for all members of senior management to ultimately develop and implement a strategic plan. These and other factors are summarized below in this Form 10-K under Risk Factors.

Item 1A. Risk Factors.

Our results are affected by changes in worldwide economic and capital markets conditions.

We derived 22.0% and 21.4% revenues in 2010 and 2009, respectively, from outside the United States. Our business may be adversely affected by factors in the United States and other countries that are beyond our control, such as downturns in economic activity or labor conditions in a specific country or region.

Our success will depend on our ability to sell our MedGraphics cardiorespiratory products into our core hospital, clinics and physician office market.

We sell our MedGraphics brand cardiorespiratory diagnostic systems and services to hospitals, clinics and physician offices. As a result of the disruptive and uncertain economic conditions that emerged in the second half of calendar 2008, continued in 2009 and 2010, and the related cost-containment measures initiated by many of our customers, we believe that a challenging environment for the sale of our MedGraphics products is likely to continue in fiscal 2011.

Healthcare policy changes, including national legislation to reform the U.S. healthcare system, may have a material adverse effect on our business.

There have been and continue to be proposals by the federal government, state governments, regulators and third-party payors to control healthcare costs and, more generally, to reform the U.S. healthcare system. In March 2010, President Obama signed the Patient Protection and Affordable Care Act, which includes a 2.3% excise tax on all U.S. medical device sales beginning in 2013. In addition, there are many programs and requirements for which the details have not yet been fully established or the consequences not fully understood. These provisions may affect aspects of our business.

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If we are unable to regain profitability in 2011 and beyond, our liquidity may be adversely affected.

Although we were profitable in fiscal 2006 and 2007, we were unprofitable in fiscal 2008, 2009 and 2010 and had an accumulated deficit of $6.5 million as of October 31, 2010. While we believe that our existing cash and investments balance of $10.4 million at October 31, 2010 will be adequate to support operations for the next fiscal year or more, we must ultimately regain sustained profitability or obtain additional financing to be able to meet our future cash flow requirements, and we cannot ensure that we will be able to do so.

The financial soundness of our vendors could affect our business and results of operations.

We rely on third party vendors for certain components used in our products. We purchase a number of significant components, such as capacitors, batteries and integrated circuits, from sole source suppliers. Although we attempt to maintain sufficient quantities of inventory of these components to minimize production delays or interruptions, we cannot ensure that we will find suitable alternatives at reasonable prices, if at all, or that any alternatives will remain available to us. Our 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 us, including our ability to manufacture our products. As a result of the disruptions in the financial markets and other macro-economic challenges currently affecting the economy of the United States and other parts of the world, our vendors may experience cash flow concerns. As a result, vendors may increase their prices, reduce their output or change terms of sales. Any demands by vendors for different payment terms may adversely affect our earnings and cash flow.

Technology in the medical device industry changes rapidly.

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

Our future operations are dependent upon variables outside our control.

Successful implementation of our business plan is dependent on the interaction of many variables, including the effects of changing industry conditions and new competition. While we believe that our business plan reflects reasonable judgments in assessing those risks, we cannot ensure that influences not foreseen by us will not adversely affect our ability to execute our business plan strategies. While we believe that our business plan projections are in line with achievable performance levels, we cannot ensure that we will be able to obtain, and sustain, projected sales revenue.

Our future success may be driven by our New Leaf Health and Fitness Products

In addition to our core MedGraphics products, we sell cardiorespiratory diagnostic systems and consumable products under the New Leaf brand to consumers through health and fitness clubs, personal training studios, weight loss centers and other retail outlets. Our future success depends in part on our ability to increase revenues from our New Leaf products.

Protection of intellectual property is critical to our business.

Patents and trademarks are critical in the medical device industry. We believe strongly in protecting our intellectual property and have a long history of obtaining patents, when available, in connection with our research and product development programs. We own a number of United States and foreign patents. We also own registered trademarks, and have applied for other trademarks in the United States and foreign countries. We cannot ensure that we will be granted patents and trademarks in the future, or that any patents and trademarks that we now hold or may be granted, or under which we have held license rights, will be valid or otherwise be of value to us. Even if our patents and trademarks are valid, others may be able to introduce non-infringing competitive products.

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Although patent and intellectual property disputes in the medical device area have often been settled through licensing agreements or similar arrangements, costs associated with these arrangements may be substantial, and we cannot ensure that necessary licenses would be available to us on satisfactory terms or at all. Accordingly, an adverse determination in a judicial or administrative proceeding or failure to obtain necessary licenses could prevent us from manufacturing and selling our products, which would have a material adverse effect on our business, financial condition and results of operations.

We seek to protect our 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. We cannot ensure that these agreements will not be breached, that we would have adequate remedies for any breach, or that our trade secrets will not otherwise become known to or independently developed by competitors.

We are dependent upon our senior management and other key personnel.

Our success depends largely on effective leadership from our senior management and other key personnel. Competition for qualified personnel with sufficient and relevant experience in the medical device industry is intense. Accordingly, the loss of the services of these individuals, or the inability to hire additional key individuals as required, could have a material adverse effect on us, including our current and future product development efforts. Early in fiscal 2011, we named a new Chief Executive Officer and during fiscal 2010, we terminated our Chief Financial Officer, and replaced him on an interim basis. To achieve future success, our senior management, including new members of management, must make a successful transition into their new roles and ultimately develop and implement a strategic plan.

Anti-Takeover provisions in Minnesota law may make a hostile takeover of our business more difficult.

We are 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 our 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. We have also entered into agreements with certain executive officers that provide for certain benefits upon a change of control. These agreements would make any sale of the Company more expensive to a third party.

Item 1B. Unresolved Staff Comments.

None.

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Item 2. Properties.

The Company currently leases a 52,254 square foot building for our office, assembly and warehouse facilities located in suburban Saint Paul, Minnesota. The building is also the location of the Company s Medical Graphics subsidiary. The building lease for the Company s present office and manufacturing space, by its terms, will expire on December 31, 2011. The Company also leases 1,390 square feet of office space in Milan, Italy with the lease agreement expiring in December 2012. Annual rental costs of both facilities will be approximately $322,000 per minimum lease payment schedule for the year ending October 31, 2011. Rent expense for the Company s facilities was $333,000 and $339,000 for the years ended October 31, 2010 and 2009, respectively.

Item 3. Legal Proceedings.

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

Item 4. [Removed and Reserved]

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PART II

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

The Company s common stock is traded on the Nasdaq Capital Market under the symbol ANGN. The following table sets forth high and low sales prices as reported by the Nasdaq Capital Market for each quarter of fiscal year 2010 and 2009.

Angeion Common Stock Prices

Fiscal Years	High	Low
2010		
Fourth Quarter	4.68	3.61
Third Quarter	5.15	3.76
Second Quarter	4.99	3.55
First Quarter	4.09	3.15
2009		
Fourth Quarter	$ 3.97	$ 2.80
Third Quarter	3.86	2.19
Second Quarter	3.14	2.00
First Quarter	4.18	2.45

As of January 18, 2011, there were 324 shareholders of record who held the Company s common stock. In addition, nominees held an additional 3,695,523 shares for approximately 1,000 shareholders holding shares in street name.

Dividends

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

Equity Compensation Plan Information

Under the Angeion Corporation 2002 Stock Option Plan (the 2002 Plan), the Company had reserved 800,000 shares of its common stock for issuance upon exercise of stock options. As of October 31, 2010, options for 800,000 shares had been granted, 464,850 shares had been issued upon exercise of options, 21,768 options had been forfeited and options to purchase 313,382 shares remained outstanding. In connection with the adoption of the 2007 Stock Incentive Plan described below, the 2002 Plan was amended to provide that no new options could be granted under the 2002 Plan.

At a Special Meeting of Shareholders held on August 22, 2007, the shareholders approved the Angeion Corporation 2007 Stock Incentive Plan (the 2007 Plan) and reserved 250,000 shares of its common stock for issuance under the 2007 Plan. At the 2008 Annual Meeting of Shareholders held on May 20, 2008, the shareholders approved an amendment to the 2007 Plan that increased the authorized shares of common stock for issuance by 300,000 shares. At the 2009 Annual Meeting of Shareholders held on June 3, 2009, the shareholders approved an amendment to the 2007 Plan that increased the authorized shares of common stock for issuance by 100,000 to a total of 650,000 shares. At the 2010 Annual Meeting of Shareholders held on May 25, 2010, the shareholders approved an amendment to the 2007 Plan that increased the authorized shares of common stock for issuance by 100,000 to a total of 750,000 shares. As of October 31, 2010, stock options for 287,191 shares were outstanding, 98,677 shares had been issued pursuant to fully vested restricted stock awards, 101,327 shares were subject to unvested restricted stock awards and 262,805 shares were available for future grant.

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The following table provides information as of October 31, 2010 with respect to the shares of the Company s common stock that may be issued under its 2002 Plan and 2007 Plan.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in first column)
Equity compensation plans approved by security holders	600,573	$ 6.12	262,805
Equity compensation plans not approved by security holders			
Total	600,573		262,805

Purchases of Equity Securities By the Issuer and Affiliated Purchasers.

In the three months ended October 31, 2010, the Company repurchased shares of its common stock, as follows.

Issuer Purchases of Equity Securities[1]

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Program	(d) Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program
August 1-31, 2010[2]	6,312	$ 4.22		
September 1-30, 2010	99,600	$ 4.34	99,600	
October 1-31, 2010	301,200	$ 4.29	301,200	
Total in the quarter	407,112	$ 4.31	400,800	
Program to date		$ 4.34	466,049	$ 0

[1]On March 16, 2010, the Company announced that its Board of Directors had authorized a stock repurchase program under which the Company may repurchase up to $1,000,000 of common stock in the open market or in privately negotiated transactions, over a nine month period of time. On September 13, 2010, the Company announced that its Board of Directors had approved an increase in the repurchase program authorizing the Company to purchase up to $2,000,000 of common stock in the open market or in privately negotiated transactions during the period ended April 30, 2011. By October 31, 2010, the Company had completed the program and there is no authorization remaining to purchase additional shares.

[2]In August 2010, the Company withheld a total of 6,312 shares for payment of taxes upon the vesting of 19,557 shares of restricted stock that were originally issued in August 2008 to employees. The value of these shares on August 28, 2010 was $4.22 per share.

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Item 6. Selected Financial Data

In the table below, we have presented certain selected financial data as of and for each of the years in the five-year period ended October 31, 2010. The financial data has been derived from our audited consolidated financial statements. This data should be read in conjunction with Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations and Item 8, Financial Statements and Supplementary Data of this Annual Report on Form 10-K.

(In thousands, except per share data)	Years Ended October 31,				
	2010	2009	2008	2007	2006
Statement of Operations Data:					
Revenues	$ 29,041	$ 25,479	$ 30,011	$ 38,580	$ 33,651
Cost of revenues	13,250	12,217	14,557	19,106	17,016
Gross margin	15,791	13,262	15,454	19,474	16,635
Operating expenses:					
Selling and marketing	8,067	6,964	8,646	10,107	8,148
General and administrative	4,514	3,996	4,390	4,220	3,209
Research and development	3,606	3,151	2,437	2,820	2,367
Amortization of intangibles	420	728	728	733	812
Total operating expenses	16,607	14,839	16,201	17,880	14,536
Operating income (loss)	(816)	(1,577)	(747)	1,594	2,099
Interest income	8	16	163	182	81
Income (loss) before taxes	(808)	(1,561)	(584)	1,776	2,180
Provision for taxes	41	32	102	719	914
Income (loss) from continuing operations, net of taxes	(849)	(1,593)	(686)	1,057	1,266
Gain from discontinued operations, net of taxes					171
Net income (loss)	$ (849)	$ (1,593)	$ (686)	$ 1,057	$ 1,437
Weighted Average Common Shares Outstanding:					
Basic	4,122	4,121	4,090	3,987	3,634
Incremental effect of options and warrants				366	118
Diluted	4,122	4,121	4,090	4,353	3,752
Net income (loss) per share - basic:					
Continuing operations	$ (0.21)	$ (0.39)	$ (0.17)	$ 0.27	$ 0.35
Discontinued operations					0.05
Net income (loss)	$ (0.21)	$ (0.39)	$ (0.17)	$ 0.27	$ 0.40
Net income (loss) per share - diluted:					
Continuing operations	$ (0.21)	$ (0.39)	$ (0.17)	$ 0.24	$ 0.34
Discontinued operations					0.04
Net income (loss)	$ (0.21)	$ (0.39)	$ (0.17)	$ 0.24	$ 0.38

	As of October 31,				
	2010	2009	2008	2007	2006
Balance Sheet Data:					
Cash and cash equivalents	$ 6,943	$ 11,219	$ 9,047	$ 6,908	$ 4,069
Investments, short term and noncurrent	3,443				
Working capital	12,681	15,152	15,028	14,154	10,204
Total assets	21,381	22,463	22,965	24,533	21,753
Total current liabilities	6,171	5,191	4,900	6,361	6,686
Total liabilities	7,044	5,909	5,689	7,104	7,443
Total shareholders equity	14,337	16,554	17,276	17,429	14,310

Common shares outstanding at year end	3,747	4,150	4,092	4,088	3,792

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

Overview

The Company is a medical device manufacturer with revenues of $29.0 million for the year ended October 31, 2010. Domestic product sales and service revenue accounted for 78.0% of fiscal 2010 revenue while international product sales accounted for the remaining 22.0%.

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

Seasonality

The Company experiences some seasonality in its revenues, with the fourth quarter of its fiscal year traditionally being its strongest quarter. The Company experiences variability in the other three quarters due to a number of factors, including customer budget cycles, product introductions, Company sales incentive programs, general economic conditions and the timing of customer orders.

In fiscal 2007 and 2008, the Company generated revenues of $38.6 and $30.0 million, respectively, in part as a result of significant sales to a single clinical research customer, which phased out in fiscal 2008. In fiscal 2009, the Company's revenues fell to $25.5 million due to the decline in general economic conditions. Revenues increased to $29.0 million in fiscal 2010 with substantially all the growth in the third and fourth quarter of the fiscal year.

Although the Company currently expects revenues in fiscal 2011 to increase over fiscal 2010 revenues, the Company expects the quarter-over-quarter rate of increase to be uneven during the fiscal year, due to seasonality and the other factors listed above.

Recent Key Product Developments:

During the second quarter of fiscal 2010, the Company launched an enhanced and updated Ultima CardiO_2 complete metabolic stress testing system and BreezeSuite 7 software platform as it continues to update product lines to react to perceived customer needs and market requirements.

In the third quarter of fiscal 2010, the Company launched its new TRUcal resting metabolic rate system within its New Leaf product line to support its goal of promoting products and services that promote a healthy lifestyle.

In the fourth quarter of fiscal 2010, the Company introduced BreezeConnect, a software interface within its MedGraphics product line, using Data Innovations Instrument Manager, to provide connectivity between MedGraphics cardiorespiratory diagnostic systems and a hospital s electronic medical records. The Company expects BreezeConnect will provide clinicians the ability to improve workflow, reduce department costs, increase productivity and meet meaningful use criteria that could qualify their facility for government grant money.

Revenue for fiscal 2010 increased by 14.0% to $29.0 million compared to $25.5 million in 2009 while operating expense for fiscal 2010 was $16.6 million, an increase of 11.9% from $14.8 million in 2009. Fiscal 2010 net loss was $0.8 million, or $0.21 per diluted share, compared to fiscal 2009 net loss of $1.6 million, or $0.39 per diluted share. Fiscal 2010 revenue increases came largely from improved domestic and international medical product shipments, which were up $2.1 million, or 14.3%, and $1.0 million, or 19.9%, respectively. Particularly strong in this period were domestic and international shipments of high-value plethysmographs, coupled with successful promotions related to the Company s Ultima product line and certified systems.

During the first half of fiscal 2009, the Company terminated the employment of 9 employees to allow better management of operating expense and, as a result, recorded severance charges of $58,000. The Company estimates these actions decreased operating expenses for fiscal 2010 by $300,000.

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

	2010	2009
Revenues	100.0%	100.0%
Cost of revenues	45.6	47.9
Gross margin	54.4	52.1
Selling and marketing expenses	27.8	27.3
General and administrative expenses	15.5	15.7
Research and development expenses	12.4	12.4
Amortization of intangibles	1.5	2.9
Total operating expenses	57.2	58.3
Operating loss	(2.8)	(6.2)
Interest income	0.0	0.0
Provision for taxes	0.1	0.1
Net loss	(2.9%)	(6.3%)

The following paragraphs discuss the Company s performance for fiscal years ended October 31, 2010 and 2009.

Revenues

Fiscal 2010 total revenues increased 14.0% to $29.0 million compared to $25.5 million in fiscal 2009. Domestic product revenues increased by 15.8% to $19.1 million in 2010 compared to 2009 revenues of $16.7 million. International product revenue increased 17.2% to $6.4 million in 2010 compared to $5.5 million in 2009. Service revenues increased 6.5% to $3.5 million in 2010 compared to $3.3 million in 2009. The Company continued to face challenges in fiscal 2010 from the adverse effects of the worldwide economic downturn s impact on capital spending by hospitals and clinics, with some easing evident in the latter portion of the year. The Company anticipates modest continuing annual revenue growth going forward, within historic seasonal quarterly revenue patterns as represented by fiscal 2010 quarterly revenues. This expectation relies on improved general and healthcare industry conditions and specific sales and marketing targeted spending.

Gross Margin

Gross margin percentage for 2010 increased to 54.4% of revenues compared to 52.1% in fiscal 2009. The Company s 2010 margins increased due to higher margin service revenues in terms of total dollars, but more importantly by the higher production volumes, driven by domestic sales, which caused the fixed costs, reduced by severed staff expenses, to be spread over more units, particularly in the seasonally higher fourth quarter period.

Selling and Marketing

Selling and marketing expenses for fiscal 2010 increased by 15.8% to $8.1 million compared to $7.0 million for fiscal 2009. Selling and marketing expenses increased for fiscal 2010 related primarily to sales-based incentive programs, which increased by $597,000 in fiscal 2010 compared to 2009. In addition, the Company added personnel in the marketing area and New Leaf selling organization, with increases totaling $247,000. Additional increases of $179,000 for fiscal 2010 compared to 2009, resulted from general management incentive programs. Spending is expected to continue in this range with some increases planned to develop core marketing capabilities.

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General and Administrative

General and administrative expenses for 2010 increased by 13.0%, or $518,000, to $4.5 million compared to $4.0 million in 2009. Costs associated with payroll and benefits decreased by $69,000 in fiscal 2010 compared to 2009 as a result of a head count reduction following an officer termination in the second half of the 2010 fiscal year. Costs totaling $450,000 were incurred in the last half of the year in relation to that severance and the expenses related to the August 2010 filing of a Schedule 13D by a shareholder, subsequent negotiations, and the September 1, 2010 reconstitution of the Company s Board of Directors. This total is net of the $43,000 decrease in stock-based compensation for forfeiture which results from the officer and board member separations. Additional increases of $120,000 for fiscal 2010 compared to 2009 resulted from general management incentive programs. We expect fiscal 2011 spending in similar ranges, excluding one-time effects such as those described above, but fiscal 2011 first quarter results will include a one-time charge of $418,000 for separation costs related to the Mutual Separation and Termination agreement reached with our former Chief Executive Officer early in fiscal 2011.

Research and Development

Research and development expenses for 2010 increased by 14.4%, or $455,000, to $3.6 million compared to the same period in 2009. Project related costs increased by $284,000 in 2010 compared to the same period in 2009 as the Company expanded its investment in new product development. These were offset by reduced personnel costs of $75,000, following the right-sizing activities early in the year. The increased product development costs relate primarily to an ongoing research and development project to migrate the operating software used in our MedGraphics and New Leaf products to a next-generation platform. Additional increases of $103,000 for fiscal 2010 compared to 2009 resulted from general management incentive programs.

Amortization of Intangibles

Amortization of developed technology was $420,000 for the year ended October 31, 2010, which was reduced by $308,000 compared to fiscal 2009 as some technologies recorded in the fresh-start accounting at fair value in 2002 had been fully amortized by October 31, 2009.

Interest Income

Interest income for the year ended October 31, 2010 decreased to $8,000 from $16,000 in 2009. The decrease in interest income is principally due to the continuation of significantly lower market interest rates since the Company has moved its invested cash and cash equivalents into investments where the main goal is preservation of capital. The Company is exploring alternatives to increase its interest income while maintaining the highest degree of safety in its investments.

Provision for Taxes

The Company is required to present the provision for taxes as if it were fully taxable in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification 852-740. In prior years, the Company utilized its pre-emergence bankruptcy NOLs in the calculation of its income taxes payable although it is still required to pay U.S. and State alternative minimum taxes (AMT) in certain jurisdictions, even though it has substantial federal and state NOL carry forwards. Due to its loss before taxes in fiscal years 2010 and 2009, the Company did not use any net benefits related to these NOLs. See note 12 to the consolidated financial statements, Income Taxes, in this Form 10-K for additional discussion of the accounting for income taxes and the use of pre-emergence bankruptcy NOLs.

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The Company recorded $41,000 of income tax expense for the fiscal year ended October 31, 2010 compared to $32,000 of income tax expense for the fiscal year ended October 31, 2009. The income tax expense for October 31, 2009 related entirely to state income tax expense and minimum fees. The income tax expense for the current year includes federal tax expense of approximately $5,000 related to a prior year IRS exam settlement, $4,000 for an increase in reserve for uncertain tax positions and $32,000 related to current year state income tax expense and minimum fees.

Liquidity and Capital Resources

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

The Company had cash, cash equivalents and investments of $10.4 million and working capital of $12.7 million as of October 31, 2010. During 2010, the Company generated $1.7 million in cash from operating activities, with $577,000 produced before changes in working capital items. An increase in 2010 year end accounts receivable of $701,000 reduced operating cash flow due to the year-over-year fourth fiscal quarter revenue increase of over 28%. Days sales outstanding (DSO), which measures how quickly receivables are collected, decreased by 1 day to 48 days from 2009 to 2010, improving cash flow. Cash flow also improved due to a decrease in inventory levels of $757,000 as the Company s purchasing and manufacturing operations improved its performance reducing days of inventory on hand from 130 in 2009 to 97 in 2010. The accounts payables balance also increased by $180,000, which positively affects cash flow, as the Company achieved extended payment terms with various vendors. Increased employee compensation accruals totaling $740,000 between 2010 and 2009 make up the majority of the remaining cash provided by operating activities.

During 2010, the Company used $438,000 in cash in the purchase of property, equipment and intangible assets. The Company has no material commitments for capital expenditures for fiscal year 2011. In addition, the Company purchased $3,436,000, net of sales, of high grade investment securities, primarily United States Treasury instruments and fully insured bank certificates of deposit to produce modestly more interest income in this historically low interest rate environment. A small amount of cash was generated from financing activities in 2009 mostly related to the exercise of stock options.

During 2010, the Board of Directors authorized and the Company completed the repurchase of 466,049 shares of common stock in market transactions costing $2,024,000 at an average cost of $4.34 per share. There is no authorization for additional purchases at October 31, 2010.

The Company believes that its liquidity and capital resource needs for fiscal year 2011 will be met through its cash flows from operations and the current cash, cash equivalents and investments, if needed.

Critical Accounting Policies

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

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

Service contract revenue is based on a stated contractual rate and is deferred and recognized ratably over the service period, which is typically from one to four years. Deferred income associated with service contracts and supplies was $2,232,000 and $2,022,000 as of October 31, 2010 and 2009, respectively. Revenue from installation and training services provided to domestic customers is deferred until the service has been performed. The Company recognizes revenue related to installation and training if service is not performed within six months from equipment shipment date since the probability these services will be used by the customer after that time is remote based on continued analysis of historical information. The amount of deferred installation and training revenue was $125,000 and $131,000 at October 31, 2010 and 2009, respectively.

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

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

Allowance for Doubtful Accounts. The Company establishes estimates of uncollectible accounts receivable. Management analyzes accounts receivable, historical write-offs of bad debts, customer concentrations, customer credit-worthiness, current economic trends and changes in customer payment terms when evaluating the adequacy of the allowance for doubtful accounts. The Company maintains an allowance for doubtful accounts at an amount that it estimates to be sufficient to provide adequate protection against losses resulting from collecting less than full payment on receivables. A considerable amount of judgment is required when assessing the realizability of receivables, including assessing the probability of collection and the current credit-worthiness of each customer. If the financial condition of the Company s customers were to deteriorate, resulting in an impairment of their ability to make payments, an additional provision for doubtful accounts might be required. The allowance for doubtful accounts at October 31, 2010, decreased by $10,000 from the prior year end.

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Income Taxes. The Company utilizes the asset and liability method of accounting for income taxes in accordance with FASB ASC 740, Income Taxes. The Company recognizes deferred tax assets or liabilities for the expected future tax consequences of temporary differences between the book and tax bases of assets and liabilities. Each quarter, the Company assesses the likelihood that its deferred tax assets will be recovered from future taxable income. The analysis to determine the amount of the valuation allowance is highly judgmental and requires weighing positive and negative evidence including historical and projected future taxable income and ongoing tax planning strategies. While the Company was profitable for nine consecutive quarters through October 31, 2007, this performance was largely driven by revenues generated from one large clinical research customer. That revenue ended in fiscal 2008 and the Company sustained a loss in each of fiscal 2008, 2009 and 2010.

Although the Company was profitable in the second half of 2010, the Company believes it needs more consistent positive operating results before it can reduce the valuation allowance. Based upon management s assessment of all available evidence, the Company determined that it is more likely than not as of October 31, 2010 that none of its deferred tax assets will be realized. Therefore, at October 31, 2010, a full valuation allowance of $6.8 million has been established against the net deferred tax asset. If the Company determines that it has become more likely than not that it will realize part of or all its deferred tax assets, the Company will be required to partially or fully reduce this valuation allowance. If the Company reduces the valuation allowance, it will allocate this reduction between pre- and post-bankruptcy deferred tax assets in the following manner:

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

The valuation allowance related to post-bankruptcy net operating losses and other deferred tax assets would first affect earnings as a reduction in the provision for taxes and thereafter, the remaining $0.9 million would increase additional paid-in capital because these deferred tax assets represent employee stock-based compensation tax deductions included in the Company s net operating losses.

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

***Impairment of Long-Lived Assets*.** The Company assesses the recoverability of long-lived assets whenever events or changes in circumstances indicate that expected future undiscounted cash flows might not be sufficient to support the carrying value of an asset. We measure recoverability of assets to be held and used by comparing the carrying value of an asset to future net cash flows we expect the asset to generate. If these assets are considered to be impaired, we recognize the impairment in the amount by which the carrying value of the assets exceeds the fair value of the assets. We report assets to be disposed of at the lower of the carrying amount or fair value less costs to sell. To date, the Company has determined that no impairment of long-lived assets exists.

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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 use derivative financial instruments for trading or hedging purposes.

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

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

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

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

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

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Item 8. Financial Statements and Supplementary Data.

Management s Report on Internal Controls over Financial Reporting

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

The Company s management is responsible for establishing and maintaining adequate internal control over financial reporting, as that term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on our evaluation under that framework, management concluded that our internal control over financial reporting was effective as of October 31, 2010.

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

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

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Report of Independent Registered Public Accounting Firm

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

We have audited the accompanying consolidated balance sheets of Angeion Corporation and Subsidiaries as of October 31, 2010 and 2009, and the related consolidated statements of operations, shareholders equity and comprehensive loss and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Angeion Corporation and Subsidiaries as of October 31, 2010 and 2009 and the results of their operations and cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

/s/ Baker Tilly Virchow Krause, LLP

Minneapolis, Minnesota
January 28, 2011

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ANGEION CORPORATION AND SUBSIDIARIES
Consolidated Balance Sheets
October 31, 2010 and October 31, 2009
(In thousands, except share and per share data)

	October 31, 2010	October 31, 2009
Assets		
Current assets:		
Cash and cash equivalents	$ 6,943	$ 11,219
Short-term investments	2,721	
Accounts receivable, net of allowance for doubtful accounts of $100 and $110, respectively		