GLOBAL PARTNERS LP
Form 10-Q
November 07, 2013
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

ý **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2013

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 001-32593

Global Partners LP

(Exact name of registrant as specified in its charter)

Delaware	**74-3140887**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

P.O. Box 9161
800 South Street
Waltham, Massachusetts 02454-9161
(Address of principal executive offices, including zip code)

(781) 894-8800
(Registrant s telephone number, including area code)

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 ý 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 ý No o

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 large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer o	Accelerated filer x	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No ý

The issuer had 27,430,563 common units outstanding as of November 5, 2013.

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Item 1. Financial Statements

GLOBAL PARTNERS LP

CONSOLIDATED BALANCE SHEETS

(In thousands, except unit data)

(Unaudited)

	September 30, 2013	December 31, 2012
Assets		
Current assets:		
Cash and cash equivalents	$ 15,068	$ 5,977
Accounts receivable, net	781,800	696,762
Accounts receivable affiliates	1,496	1,307
Inventories	402,221	634,667
Brokerage margin deposits	40,694	54,726
Fair value of forward fixed price contracts	37,001	48,062
Prepaid expenses and other current assets	41,591	65,432
Total current assets	1,319,871	1,506,933
Property and equipment, net	838,424	712,322
Intangible assets, net	129,755	60,822
Goodwill	58,890	32,326
Other assets	17,701	17,349
Total assets	$ 2,364,641	$ 2,329,752
Liabilities and partners equity		
Current liabilities:		
Accounts payable	$ 769,693	$ 759,698
Working capital revolving credit facility current portion		83,746
Term loan	115,000	
Environmental liabilities current portion	4,271	4,341
Trustee taxes payable	75,891	91,494
Accrued expenses and other current liabilities	46,403	71,442
Obligations on forward fixed price contracts	38,885	34,474
Total current liabilities	1,050,143	1,045,195
Working capital revolving credit facility less current portion	300,300	340,754
Revolving credit facility	399,700	422,000
Senior notes	68,163	
Environmental liabilities less current portion	37,651	39,831
Other long-term liabilities	44,454	45,511
Total liabilities	1,900,411	1,893,291
Partners equity		
Global Partners LP equity:		
Common unitholders (27,430,563 units issued and 27,268,247 outstanding at September 30, 2013 and 27,430,563 units issued and 27,310,648 outstanding at December 31, 2012)	427,929	456,538

General partner interest (0.83% interest with 230,303 equivalent units outstanding at September 30, 2013 and December 31, 2012)		(335)		(407)
Accumulated other comprehensive loss		(13,877)		(19,670)
Total Global Partners LP equity		413,717		436,461
Noncontrolling interest		50,513		
Total partners equity		464,230		436,461
Total liabilities and partners equity	$	2,364,641	$	2,329,752

The accompanying notes are an integral part of these consolidated financial statements.

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GLOBAL PARTNERS LP

CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per unit data)

(Unaudited)

Three Months Ended September 30,		Nine Months Ended September 30,	
2013	**2012**	**2013**	**2012**
Sales	$ 4,433,426	$ 4,617,194	$ 14,794,372	$

Q: **What do stockholders need to do now?**

A: After carefully reading and considering the information contained in this proxy statement and the documents deliv
by reference into this proxy statement, each stockholder should complete, sign and date his or her proxy card and
postage prepaid envelope as soon as possible so that his or her shares may be represented at the Special Meeting.

Q: **Who should I contact with questions?**

A: If you have any additional questions about the Special Meeting or the proposals presented in this proxy statement

Ronald C. Austin, Secretary
XTENT, Inc.
125 Constitution Drive
Menlo Park, California 94025-1118
Telephone: (650) 433-4834

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SUMMARY TERM SHEET

This summary term sheet highlights selected information contained in this proxy statement and may not cont that is important to you. To understand fully the legal requirements for the voluntary dissolution of XTENT, Inc. u Special Meeting and for a more complete description of the terms of the Plan of Complete Liquidation and Dissol read this entire proxy statement and the documents delivered with and incorporated by reference into this proxy s by Reference." As used in this proxy statement, unless the context otherwise requires, the terms "we," "us," "our," "XTENT" refer to XTENT, Inc., a Delaware corporation.

The Company

We are a development stage medical device company that has focuse developing and commercializing our proprietary Custom NX drug el stent, or DES, Systems to treat coronary artery disease, or CAD. Sinc inception we have devoted substantially all of our resources to start-u activities, raising capital and research and development, including pr design, testing, manufacturing and clinical trials. We have focused ou development efforts on creating our Custom NX DES Systems, whic allow a physician to deploy single or multiple stents of customizable with a single device. In March 2009, we received CE Mark authorizi to market our Custom NX DES Systems in the European Union and other countries that recognize CE Mark, but we have not yet received other government regulatory approvals necessary to commercialize a our products in any other countries.

Over the past four years, we have been conducting clinical trials to ev our Custom NX 36 and Custom NX 60 stent and stent delivery syste October 2008, the one year data from our CUSTOM III clinical trial, two year data from our CUSTOM II clinical trial and the three year d from our CUSTOM I clinical trial were presented at the 2008 Transc Cardiovascular Therapeutics conference in Washington D.C. We bel the data from these clinical trials provided preliminary evidence of sa and efficacy and support further development of our in situ customiz approach. In March 2009, we received CE Mark for our Custom NX Systems authorizing us to market our products in the European Unio certain other countries that recognize the CE Mark. Even though we received CE Mark, we do not have adequate resources to commercia our products in the European Union.

We would need premarket approval, or PMA, from the FDA before could market our products in the United States, which we expect wou require data from a large clinical trial of up to 2,100 patients. We exp to obtain this data through our planned CUSTOM IV clinical trial, bu initiate the CUSTOM IV trial, we would first need to obtain clearanc investigational device exemption, or IDE, from the FDA. We filed ou application in September 2007, and in October 2007, we received qu back from the FDA. In February 2009, we resubmitted our IDE appli and in April 2009, we received additional comments from the FDA. we receive IDE approval from the FDA, we do not have adequate res to initiate our IDE trial.

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To date, we have not generated any revenue from the sale of our products. We have incurred net losses in each year since our inception in June 2002. Through March 31, 2009, we had an accumulated deficit of $143.8 million. If the Plan of Dissolution is not approved, and we continue to operate, we would expect our losses to continue to increase as we expand our clinical trial activities and initiate commercialization activities. Since inception we have financed our operations primarily through the sale of our equity securities. In May and June 2006, we raised aggregate net cash proceeds of approximately $30.0 million in a private placement of shares of our Series D convertible preferred stock. On February 1, 2007 we completed our initial public offering of our common stock which raised net proceeds of $68.2 million.

In January 2009, we notified our employees that we were initiating a headcount reduction that would impact 115 of our 122 employees. The reduction was substantially completed by March 31, 2009. We also engaged Piper Jaffray & Co. in January 2009 to help us explore potential strategic alternatives, including, without limitation, a merger, a sale of substantially all our assets, a financing, or a sale of a portion of our assets, such as our peripheral stent product, our drug eluting balloon product or our bioabsorbable stent product.

Our principal executive office is located at 125 Constitution Drive, Menlo Park, California 94025-1118, and our telephone number at our principal executive office is (650) 475-9400. You can find more information about us in the documents that are delivered with and incorporated by reference into this proxy statement. See "*Incorporation by Reference.*"

THE SPECIAL MEETING OF STOCKHOLDERS

General (See page 1)

The Special Meeting of stockholders will take place on July 9, 2009, at 9:00 a.m., local time, at the Company's principal executive offices located at 125 Constitution Drive, Menlo Park, California 94025-1118. See "*The Special Meeting General*."

Proposals (See page 1)

At the Special Meeting, our stockholders will consider and vote upon:

1. a proposal to approve the voluntary dissolution and liquidation of XTENT pursuant to a Plan of Complete Liquidation and Dissolution in substantially the form attached to this proxy statement as *Appendix A*; and

2. a proposal to adjourn the special meeting to another date, time or place, if necessary in the judgment of the proxy holders, for the purpose of soliciting additional proxies to vote in favor of Proposal 1.

In this proxy statement, we refer to the Plan of Complete Liquidation and Dissolution as the Plan of Dissolution. See "*The Special Meeting Proposals.*"

Record Date and Voting Securities (See page 1)

Only holders of record of our common stock as of the close of business on June 4, 2009, the record date for the Special Meeting, are entitled to notice of and to vote at the Special Meeting and any adjournments or postponements thereof. Each holder of common stock is entitled to one vote for each share of common stock held of record on the record date. See "*The Special Meeting Record Date and Voting Securities.*"

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Quorum and Required Votes (See page 2)

Under Delaware law, a quorum consisting of a majority of the shares entitled to vote must be represented in person or by proxy for the transaction of business at the Special Meeting. The approval of the Plan of Dissolution requires the affirmative vote of a majority of the outstanding shares of our common stock. The approval of any adjournment of the Special Meeting requires that the votes cast in favor of the proposal exceed the votes cast against the proposal at the Special Meeting. See "*The Special Meeting Quorum" and "The Special Meeting Required Votes.*"

Voting by, and Revocation of, Proxy (See pages 2 and 3)

Our board of directors has selected Gregory D. Casciaro and Ronald C. Austin to serve as proxies at the Special Meeting. The shares of common stock represented by each executed and returned proxy will be voted in accordance with the directions indicated on the proxy. If you sign your proxy card without giving specific instructions, the Company will vote your shares "FOR" the proposals being made at the Special Meeting unless your shares are held in street name in a brokerage account. The proxy also confers discretionary authority to vote the shares authorized to be voted thereby on any matter that properly may be presented for action at the Special Meeting. We know of no other business to be presented at the Special Meeting, and no other matters properly may be presented for a vote at the Special Meeting.

You can vote by signing, dating and mailing your proxy card in the postage prepaid envelope provided or following the instructions for telephone or Internet voting, whether or not you plan to attend the Special Meeting in person. See "*The Special Meeting Voting by Proxy.*"

Any proxy given may be revoked by the person giving it at any time before it is voted at the Special Meeting. Proxies may be revoked by signing and delivering a new proxy bearing a later date to the Secretary of XTENT, by delivering a written notice of revocation to the Secretary of XTENT bearing a later date than the date of your proxy card, or by attending the Special Meeting and voting in person. However, your attendance at the Special Meeting will not, by itself, revoke your proxy. See "*The Special Meeting Revocation of Proxy.*"

Risks Related to the Plan of Dissolution (See page 25)

Risks associated with the Plan of Dissolution include the following:

- the amount we distribute to our stockholders pursuant to the Plan of Dissolution may be substantially less than the amount we currently estimate if the amounts of our liabilities, other obligations and expenses and claims against us are higher than we currently anticipate;
- we may continue to incur the expenses of complying with public company reporting requirements, which may be economically burdensome;
- if the amount of our contingency reserve is insufficient to satisfy the aggregate amount of our liabilities and other obligations, each stockholder may be liable to our creditors for the amount of liquidating distributions received by such stockholder under the Plan of Dissolution, which could also have adverse tax consequences;
- liquidating distributions to our stockholders could be delayed;

stockholders will lose the opportunity to capitalize on potential growth opportunities from the continuation of our business;

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stockholders may not be able to recognize a loss for U.S. federal income tax purposes until they receive a final distribution from us;

recordation of transfers of our common stock on our stock transfer books will be restricted as of a future date that our board of directors will determine, and thereafter it generally will not be possible for stockholders to change record ownership of our stock;

further stockholder approval may not be required in connection with the implementation of the Plan of Dissolution, including for the sale of all or substantially all of our non-cash assets as contemplated in the Plan of Dissolution;

our board of directors may revoke implementation of the Plan of Dissolution even if it is approved by our stockholders; and

if our stockholders do not approve the Plan of Dissolution, our resources may diminish completely.

If our stockholders do not approve the Plan of Dissolution, our board of directors will explore what, if any, alternatives are available for the future of XTENT, particularly in light of the fact that we have terminated substantially all of our employees, would need significant additional capital to support our U.S. pivotal clinical trial and efforts to commercialize our products in Europe, and commenced the process of winding up our business and will continue to incur net losses for the foreseeable future. We took several of these steps in the interest of preserving cash available for distribution to stockholders and in recognition of the expectation that the announcement of approval of the Plan of Dissolution would adversely affect our ability to obtain FDA approval for our IDE, proceed with our U.S. pivotal clinical trial and commercialize our products in Europe. There is currently no active business left to operate and rehiring employees may not be possible, or would take several months at a cost that we are unable to estimate.

Possible alternatives include selling all of our stock or assets, changing our business focus, continuing our efforts to identify a merger partner or a reverse merger partner, or seeking voluntary dissolution at a later time and with diminished assets. At this time, our board of directors has considered all of these options and has determined that it is in the best interests of our stockholders to dissolve XTENT, liquidate its assets and return the cash to our stockholders. The board of directors, however, retains the right to consider other alternatives should a more attractive offer arise before or after the Effective Date. If our stockholders do not approve the Plan of Dissolution, we expect that our cash resources will continue to diminish and we would face risks related to continuing our historical business described in this proxy statement. These risks could materially and adversely affect our business, financial condition or operating results and the value of our common stock, and you may lose all or part of your investment.

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You should carefully consider the risk factors beginning on page 25 of this proxy statement in evaluating whether to approve the Plan of Dissolution. These risk factors should be considered along with the other information included in this proxy statement and the documents delivered with and incorporated by reference into this proxy statement, including any forward-looking statements made in this proxy statement and such documents. See "*Special Note Regarding Forward-Looking Statements*."

PROPOSAL 1: APPROVAL OF PLAN OF DISSOLUTION

General
(See page 1)

At the Special Meeting, the stockholders of XTENT will be asked to approve the voluntary dissolution and liquidation of XTENT pursuant to the Plan of Dissolution. Our board of directors approved the Plan of Dissolution, subject to stockholder approval, on May 11, 2009. Delaware law provides that a corporation may dissolve upon the recommendation of the board of directors of the corporation, followed by the approval of its stockholders. If the Plan of Dissolution is approved by the requisite vote of our stockholders at the Special Meeting and any adjournments or postponements of the Special Meeting, we intend to file a certificate of dissolution with the Secretary of State as soon as reasonably practicable after receipt of the required revenue clearance certificate from the Department of Finance. We will be dissolved upon the effective date of our certificate of dissolution, or the Effective Date. The Effective Date may be the date on which the certificate of dissolution is filed or a later date specified in the certificate of dissolution. We intend to make a public announcement in advance of the anticipated Effective Date. The effect of the dissolution will be that our corporate existence will continue, but we will not be permitted to carry on any business except that appropriate to wind up and liquidate our business and affairs.

The Plan of Dissolution provides for the voluntary dissolution, liquidation and winding up of XTENT. If the Plan of Dissolution is approved by our stockholders and implemented by us, we will, after the Effective Date, dispose of our remaining non-cash assets, consisting primarily of our drug eluting stent systems and related intellectual property, pay or make reasonable provision to pay all claims and obligations, make such provisions as will be reasonably likely to be sufficient to provide compensation for any claim against us which is the subject of a pending action, suit or proceeding to which we are a party, distribute on a pro rata basis to our stockholders our remaining assets, and, subject to statutory limitations, take all other actions necessary to wind up and liquidate the corporation's business and affairs. For more information regarding the proposed dissolution and liquidation of XTENT, see "*Proposal 1: Approval of Plan of Dissolution.*"

Reasons for Dissolution and Liquidation
(See page 34)

Our board of directors believes that the voluntary dissolution and liquidation of XTENT is advisable and in our best interests and the best interests of our stockholders. Our board of directors has considered at length, with the assistance of legal and financial advisors, potential strategic alternatives available to XTENT, including continuing to execute on our strategic plan and further developing our drug eluting stent systems. Our board of directors, in making its determination, considered, in addition to other pertinent factors:

- the potential enhanced stockholder value that might be derived if we were to continue to pursue our strategic plan;

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the risks associated with our ongoing business operations, including the risks associated with our drug eluting stent technology in a relatively early stage of development;

the time and costs, including the costs of needed capital, associated with trying to bring our Custom NX DES Systems to market;

our general business prospects;

the unavailability of significant additional capital to conduct our U.S. pivotal clinical trial or commercialize our products in Europe and the continued significant distress in the financing and capital markets;

the fact that we engaged Piper Jaffray & Co. in September 2008 to solicit interest in a financing to support our ongoing operations, including obtaining FDA approval for our IDE, proceeding with our U.S. pivotal clinical trial and commercializing our products in Europe, and were unable to secure additional funding; and

the fact that our efforts with the assistance of Piper Jaffray & Co. to identify a merger, reverse merger, asset sale, strategic partnership or other business combination transaction that would have a reasonable likelihood of providing value to our stockholders in excess of the amount the stockholders would receive in a liquidation, or that would mitigate the risks of our ongoing operations, did not result in the identification of any likely transactions.

Our board of directors has concluded that a statutory dissolution and liquidation under Delaware law is the preferred strategy among the alternatives available to XTENT, is in the best interests of our stockholders and has adopted the Plan of Dissolution and recommends that our stockholders approve the Plan of Dissolution. See "*Proposal 1: Approval of Plan of Dissolution Reasons for Dissolution and Liquidation.*"

Dissolution and Liquidation
(See page 37)

If the Plan of Dissolution is approved by the requisite vote of our stockholders, the steps set forth below will be completed at such times as our board of directors, in its discretion and in accordance with the DGCL deems necessary, appropriate or advisable in the best interest of XTENT and its stockholders:

the filing of a certificate of dissolution with the Secretary of State after obtaining a revenue clearance certificate from the Department of Finance;

the cessation of all of XTENT's business activities except for those relating to winding up and liquidating XTENT's business and affairs, including, but not limited to, prosecuting and defending suits by or against XTENT, collecting XTENT's assets, converting XTENT's assets into cash or cash equivalents, discharging or making provision for discharging XTENT's liabilities, withdrawing from all jurisdictions in which XTENT is qualified to do business and distributing XTENT's remaining property among our stockholders according to their interests;

the collection, sale, exchange or other disposition of all or substantially all of XTENT's non-cash property and assets, in one transaction or in several transactions to more than one buyer;

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the payment of or the making of reasonable provision for the payment of all claims and obligations known to XTENT, and the making of such provisions as will be reasonably likely to be sufficient to provide compensation for any claim against XTENT which is the subject of a pending action, suit or proceeding to which XTENT is a party, including, without limitation, the establishment and setting aside of a reasonable amount of cash and/or property to satisfy such claims against and obligations of XTENT;

the pro rata distribution to our stockholders, or the transfer to one or more liquidating trustees, for the benefit of our stockholders under a liquidating trust, of the remaining assets of XTENT after payment or provision for payment of claims against and obligations of XTENT; and

the taking of any and all other actions permitted or required by the DGCL and any other applicable laws and regulations.

See "*Proposal 1: Approval of Plan of Dissolution Principal Provisions of the Plan of Dissolution.*"

Authority of Officers and Directors (See page 37)

The approval of the Plan of Dissolution by our stockholders also will authorize, without further stockholder action, our board of directors to do and perform, or to cause our officers to do and perform, any and all acts and to make, execute, deliver or adopt any and all agreements, resolutions, conveyances, certificates and other documents of every kind that our board of directors deems necessary, appropriate or desirable, in the absolute discretion of the board of directors, to implement the Plan of Dissolution and the transactions contemplated thereby, including, without limitation, all filings or acts required by any state or federal law or regulation to wind up its affairs. See "*Proposal 1: Approval of Plan of Dissolution Principal Provisions of the Plan of Dissolution Authority of Officers and Directors.*"

Liquidating Trust (See page 38)

If deemed necessary, appropriate or desirable by our board of directors, in furtherance of the liquidation and distribution of our assets to stockholders in accordance with our Plan of Dissolution, we may transfer to one or more liquidating trustees, for the benefit of our stockholders under a liquidating trust, any or all of our assets, including any cash intended for distribution to creditors and stockholders not disposed of at the time of dissolution of XTENT. Any trustee so appointed shall succeed to all right, title and interest of XTENT of any kind and character with respect to such transferred assets and, to the extent of the assets so transferred and solely in its capacity as trustee, shall assume all of our claims and obligations, including any unsatisfied claims and unknown or contingent liabilities. Whether or not a trust shall have been previously established, if it should not be feasible for us to make the final liquidating distribution to our stockholders of all our assets and properties prior to the third anniversary of the filing of our certificate of dissolution, then, on or before such date, we will be required to establish a trust and transfer any remaining assets and properties to the trustees. See "*Proposal 1: Approval of Plan of Dissolution Principal Provisions of the Plan of Dissolution Liquidating Trust.*"

Cancellation of Common Stock (See page 39)

The liquidating distributions to stockholders pursuant to the Plan of Dissolution shall be in complete redemption and cancellation of all of the outstanding shares of our common stock. As a condition to receipt of the liquidating distribution, our board of directors or any trustees may require our stockholders to surrender to us their certificates evidencing their shares

of common stock or to furnish us with evidence satisfactory to our board of directors or any trustees of the loss, theft or destruction of such certificates, together with such surety bond or other security or indemnity as may be required by and satisfactory to our board of directors or any trustees. See "*Proposal 1: Approval of Plan of Dissolution Principal Provisions of the Plan of Dissolution Cancellation of Common Stock.*"

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Amendment, Modification or Revocation of Plan of Dissolution (See page 39)	If for any reason our board of directors determines that such action w be in the best interest of XTENT, our board of directors may, in its so discretion and without requiring further stockholder approval, revoke Plan of Dissolution and all action contemplated thereunder, to the ex permitted by the DGCL. Our board of directors may not amend or m the Plan of Dissolution under circumstances that would require addit stockholder approval under the DGCL and federal securities laws wi complying with such requirements. The Plan of Dissolution would be upon the effective date of any such revocation. See "*Proposal 1: App of Plan of Dissolution Principal Provisions of the Plan of Dissolution Amendment, Modification or Revocation of Plan of Dissolution.*"
Estimated Liquidating Distributions (See page 40)	Although we are not able to predict with certainty the precise nature, amount or timing of any distributions, we presently expect to make a initial distribution, as soon as reasonably practicable following the in sale of our non-cash assets, to holders of record of our common stock the close of business on the Effective Date. We do not intend to make further distributions until after we sell, liquidate or otherwise dispose remaining non-cash assets, consisting primarily of our drug eluting st systems and related intellectual property, and pay or make reasonable provision to pay all claims against and obligations of XTENT. We currently estimate that the amount ultimately distributed will be betw approximately $0.11 and $0.40 per share of common stock, assuming are unable to sell our non-cash assets. We are not able to predict with certainty the precise nature, amount o timing of any distributions, primarily due to our inability to predict th amount of our remaining liabilities or the amount that we will expend during the course of the liquidation and the net value, if any, of our remaining non-cash assets. Our board of directors has not established timetable for any final distributions to our stockholders. Subject to contingencies inherent in winding up our business, our board of direc intends to authorize any distributions as promptly as reasonably prac in our best interests and the best interests of our stockholders. Our bo directors, in its discretion, will determine the nature, amount and tim all distributions. See "*Proposal 1: Approval of Plan of Dissolution Estimated Liquidating Distributions*" and "*Risk Factors Related to the Plan of Dissolution*" for a discussion of the estimates a assumptions made in calculating the estimated range of liquidating distributions. **Due to the uncertainty of the value of our intellectual property, w have not provided any estimate of the proceeds of a sale of our intellectual property in the amount of liquidating distributions. I were to receive a substantial amount of proceeds from the sale of intellectual property it could significantly affect the estimates tha have provided. We can provide no assurance, however, that the s our intellectual property will result in any such additional proce Many of the factors influencing the amount of cash distributed to stockholders as a liquidating distribution cannot be currently quantified with certainty and are subject to change. Accordingly, will not know the exact amount of any liquidating distributions y may receive as a result of the Plan of Dissolution when you vote o proposal to approve the Plan of Dissolution. You may receive substantially less than the amount we currently estimate.**
Conduct of the Company	After the Effective Date, our corporate existence will continue but w not carry on any business except that appropriate to wind up and liqu

Following Dissolution (See page 43)	our business and affairs, including, without limitation, collecting and disposing of our assets, satisfying or making reasonable provision for satisfaction of our liabilities and, subject to legal requirements, distri our remaining property among our stockholders. See "*Proposal 1: Approval of Plan of Dissolution Conduct of the Company Following Dissolution.*"

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Sale of Remaining Assets (See page 43)	The Plan of Dissolution gives our board of directors the authority to dispose of all of our remaining property and assets without further stockholder approval. Stockholder approval of the Plan of Dissolutio constitute approval of any and all such future asset dispositions on su terms and at such prices as our board of directors, without further stockholder approval, may determine to be in our best interests and th interests of our stockholders. We intend to sell our remaining non-ca assets, consisting primarily of our drug eluting stent systems and rela intellectual property, on such terms as are approved by our board of directors in our best interests and the best interests of our stockholder may conduct sales by any means, including by competitive bidding o private negotiations, to one or more purchasers in one or more transa over a period of time. We intend to distribute the cash proceeds from sale of our remaining non-cash assets to our stockholders within twel months of such sale. In addition to our drug eluting stent systems and related intellectual property, our remaining non-cash assets include o pre-clinical and clinical trial data and related regulatory filings, Custo DES Systems designs and related documentation, tooling, manufactu and test equipment, furniture and supplies. See "*Proposal 1: Approva Plan of Dissolution Sale of Remaining Assets.*"
Contingency Reserve (See page 43)	Under the DGCL, we are required, in connection with our dissolution satisfy or make reasonable provision for the satisfaction of all claims liabilities. Following the Effective Date, we will pay all expenses and known liabilities and establish a contingency reserve, consisting of ca other assets, that our board of directors believes will be adequate for satisfaction of all current, contingent or conditional claims and liabili We also may seek to acquire insurance coverage and take other steps board of directors determines are reasonably calculated to provide fo satisfaction of the reasonably estimated amount of such liabilities. W currently unable to provide a precise estimate of the amount of the contingency reserve or the cost of insurance or other steps we may undertake to make provision for the satisfaction of liabilities and clai but any such amount will be deducted before the determination of an available for distribution to stockholders. From time to time, we may distribute to our stockholders on a pro rata basis any portions of the contingency reserve that our board of directors deems no longer to be required. See "*Proposal 1: Approval of Plan of Dissolution Conting Reserve.*"
Potential Liability of Stockholders (See page 44)	Under the DGCL, if the amount of the contingency reserve and other measures calculated to provide for the satisfaction of liabilities and c are insufficient to satisfy the aggregate amount ultimately found paya respect of our liabilities and claims against us, each stockholder coul held liable for amounts due to creditors up to the amounts distributed such stockholder under the Plan of Dissolution. See "*Proposal 1: Ap of Plan of Dissolution Potential Liability of Stockholders.*"
Reporting Requirements (See page 44)	Whether or not the Plan of Dissolution is approved, we have an oblig to continue to comply with the applicable reporting requirements of t Securities Exchange Act of 1934, as amended, or the Exchange Act, though compliance with such reporting requirements may be econom burdensome and of minimal value to our stockholders. If the Plan of Dissolution is approved by our stockholders, in order to curtail exper we intend, on or about the Effective Date, to seek relief from the Sec and Exchange Commission, or SEC, to suspend our reporting obligat under the Exchange Act, and ultimately to terminate the registration common stock. We anticipate that, if granted such relief, we would continue to file current reports on Form 8-K to disclose material even

relating to our dissolution and liquidation along with any other report
the SEC might require. However, the SEC may not grant us the reque
relief. See "*Proposal 1: Approval of Plan of Dissolution Reporting
Requirements.*"

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Closing of Transfer Books (See page 45)	Our board of directors may direct that our stock transfer books be closed and recording of transfers of common stock discontinued as of the earliest of: the close of business on the record date fixed by our board of directors for the first or any subsequent installment of any liquidating distribution; the close of business on the date on which our remaining assets are transferred to a liquidating trust; or the date on which we file our certificate of dissolution under the DGCL. We expect that our board of directors will close our stock transfer books on or around the Effective Date. The Effective Date will be determined following the receipt of a revenue clearance certificate from the Department of Finance and will be announced as soon as reasonably practicable after that time. Thereafter, certificates representing shares of our common stock will not be assignable or transferable on our books except by will, intestate succession or operation of law, and we will not issue any new stock certificates, other than replacement certificates. See "*Proposal 1: Approval of Plan of Dissolution Closing of Transfer Books.*"
Cessation of Trading of Common Stock (See page 45)	We anticipate that we will request that our common stock be delisted from the NASDAQ Global Market at the close of business on the Effective Date and that trading will be suspended on the Effective Date or as soon thereafter as is reasonably practicable. As noted above, we also currently expect to close our stock transfer books on or around the Effective Date and to discontinue recording transfers and issuing stock certificates (other than replacement certificates) at that time. Accordingly, it is expected that trading in our shares of common stock will cease after the Effective Date. See "*Proposal 1: Approval of Plan of Dissolution Cessation of Trading of Common Stock.*"
Absence of Dissenters' Rights (See page 45)	Under the DGCL, holders of shares of our common stock are not entitled to assert dissenters' rights with respect to the Plan of Dissolution. See "*Proposal 1: Approval of Plan of Dissolution Absence of Dissenters' Rights.*"
Regulatory Approvals (See page 45)	We are not aware of any U.S. federal or state regulatory requirements or governmental approvals or actions that may be required to consummate the Plan of Dissolution, except for compliance with applicable SEC regulations in connection with this proxy statement and compliance with the DGCL. Additionally, our dissolution requires that we obtain a revenue clearance certificate from the Department of Finance certifying that we have paid or provided for all taxes and penalties, if any, of XTENT. See "*Proposal 1: Approval of Plan of Dissolution Regulatory Approvals.*"
Interests of Management in the Dissolution of the Company (See page 46)	Our directors and current executive officers have vested and exercisable options to purchase an aggregate of 17,378,964 shares of our common stock, 134,000 of which have exercise prices below $1.01per share, which was the closing sales price of our common stock on the NASDAQ Global Market on April 30, 2009. Pursuant to the terms of the plans under which the options were granted we are required to give notice to option holders prior to a proposed liquidation or dissolution of XTENT and any options that have not been exercised prior to the Effective Date will automatically terminate on the Effective Date. See "*Security Ownership of Certain*

Beneficial Owners and Management" for information on the number of shares and options held by our directors and executive officers.

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	In connection with the Plan of Dissolution, we will continue to comp our officers and employees at their existing compensation levels in connection with their services provided, and our employees are entitl receive retention payments. In addition, in January 2009, upon the recommendation of our compensation committee, our board of direct established a non-equity retention program for certain employees, inc our executive officers. The program was established in order to provi incentive for these personnel to continue their employment with XTE order to complete the headcount reduction, pursue strategic alternativ and in the absence thereof, wind down and dissolve XTENT. Under t retention program, we expect to make retention payments to all five c current employees, including $283,950 to Gregory D. Casciaro, our President and Chief Executive Officer and $131,700 to Philippe Mar Vice President of Quality Assurance, Clinical and Regulatory Affairs
	Following dissolution, we will continue to indemnify our directors, officers, employees, consultants and agents in accordance with our certificate of incorporation, bylaws and contractual arrangements for actions taken in connection with the Plan of Dissolution and the wind of our business and affairs. As part of our dissolution process, we wil purchase insurance policies and coverage for periods subsequent to th Effective Date. See "*Proposal 1: Approval of Plan of Dissolution Principal Provisions of the Plan of Dissolution Interest Management in the Dissolution of the Company.*"
Certain Material U.S. Federal Income Tax Consequences (See page 46)	After the approval of the Plan of Dissolution and until our liquidation completed, we will continue to be subject to U.S. federal income tax taxable income, if any, such as interest income, gain from the sale of remaining assets or income from operations. Upon the sale of any of assets in connection with our liquidation, we will recognize gain or lo an amount equal to the difference between the fair market value of th consideration received for each asset sold and our adjusted tax basis asset sold. We should not recognize any gain or loss upon the distribu of cash to our stockholders in liquidation of their shares of our comm stock. We currently do not anticipate making distributions of propert than cash to stockholders in our liquidation. In the event we were to m liquidating distribution of property other than cash to our stockholder will recognize gain or loss upon the distribution of such property as i sold the distributed property for its fair market value on the date of th distribution. We currently do not anticipate that our dissolution and liquidation pursuant to the Plan of Dissolution will produce a materia corporate tax liability for U.S. federal income tax purposes.

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	In general, for U.S. federal income tax purposes, we intend that amou received by our stockholders pursuant to the Plan of Dissolution will treated as full payment in exchange for their shares of our common s As a result of our dissolution and liquidation, stockholders generally recognize gain or loss equal to the difference between the sum of the amount of cash and the fair market value (at the time of distribution) property, if any, distributed to them and their tax basis for their share our common stock. In general, a stockholder's gain or loss will be computed on a "per share" basis. If we make more than one liquidati distribution, which is expected, each liquidating distribution will be allocated proportionately to each share of stock owned by a stockhol and the value of each liquidating distribution will be applied against reduce a stockholder's tax basis in his or her shares of stock. In gener stockholder will recognize gain as a result of a liquidating distributio the extent that the aggregate value of the distribution and prior liquid distributions received by the stockholder with respect to a share exce stockholder's tax basis for that share. Any loss generally will be reco by a stockholder only when the stockholder receives our final liquida distribution to stockholders, and then only if the aggregate value of a liquidating distributions with respect to a share is less than the stockh tax basis for that share. Gain or loss recognized by a stockholder gen will be capital gain or loss and will be long term capital gain or loss i stock has been held for more than one year. The deductibility of capi losses is subject to limitations. **Stockholders are urged to consult t own tax advisors as to the specific tax consequences to them of ou dissolution and liquidation pursuant to the Plan of Dissolution**. S "*Proposal 1: Approval of Plan of Dissolution Certain Material U.S. Federal Income Tax Consequences.*"
Required Vote (See page 49)	The approval of the Plan of Dissolution requires the affirmative vote majority of the outstanding shares of our common stock. Abstentions broker non-votes will have the same effect as votes against the propo approve the Plan of Dissolution. Members of our board of directors who beneficially owned an aggreg approximately 51% of the outstanding shares of common stock as of April 30, 2009 have indicated that they will vote in favor of the Plan Dissolution. See "*Proposal 1: Approval of Plan of Dissolution Requ Vote.*"
Recommendation of our Board of Directors (See page 49)	Our board of directors has determined that the voluntary dissolution liquidation of XTENT pursuant to the Plan of Dissolution is advisabl is in our best interests and the best interests of our stockholders. **Our board of directors has approved the Plan of Dissolution and unanimously recommends that stockholders vote "FOR" Propos** See "*Proposal 1: Approval of Plan of Dissolution Recommendation Board of Directors.*"

PROPOSAL 2: APPROVAL OF ADJOURNMENT OF SPECIAL MEETING TO SOLICIT ADDITIONAL PROXIES

General (See page 1)	We are seeking proxies to grant authority to the proxy holders to adjo the Special Meeting to another date, time or place, if necessary, in th judgment of the proxy holders, for the purpose of soliciting additiona proxies to vote in favor of Proposal 1. See "*Proposal 2: Approval of Adjournment of Special Meeting to Solicit Additional Proxies Gener*
Required Vote	The approval of any adjournment of the Special Meeting requires tha

(See page 52)	votes cast in favor of the proposal exceed the votes cast against the proposal at the Special Meeting. See "*Proposal 2: Approval of Adjournment of Special Meeting to Solicit Additional Proxies Gener*
Recommendation of our Board of Directors (See page 52)	**Our board of directors unanimously recommends that stockhold vote "FOR" Proposal 2.** See "*Proposal 2: Approval of Adjournmen Special Meeting to Solicit Additional Proxies Recommendation of ou Board of Directors.*"

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RISK FACTORS

You should carefully consider the risks described below, together with all the other information included in t documents delivered with and incorporated by reference into this proxy statement, before making a decision abou submitted for your consideration. This Proxy Statement contains forward-looking statements within the meaning o These statements include, but are not limited to, those concerning the following: regarding future events, our futu business strategy, product introductions and plans and objectives of management for future operations, regulator timelines. Forward-looking statements are subject to risks and uncertainties that could cause actual results and e undertake no obligation to update forward-looking statements to reflect events or circumstances occurring after t Statement.

Risks Related to the Plan of Dissolution

The amount we distribute to our stockholders pursuant to the Plan of Dissolution may be substantially less tha estimate if the amounts of our liabilities, other obligations and expenses and claims against us are higher than

The amount of cash ultimately distributed to stockholders pursuant to the Plan of Dissolution depends on the obligations and expenses and claims against us, and contingency reserves that we establish, during the liquidation generate from the sale of our remaining non-cash assets and intellectual property. We have attempted to estimate liabilities, obligations, expenses and claims against us. However, those estimates may be inaccurate. Factors that include the following:

If any of the estimates regarding the Plan of Dissolution, including the net proceeds from the manufacturing and test equipment, furniture and supplies, and the expense of satisfying outsta and claims during the liquidation process are inaccurate, the amount we distribute to our stock less than the amount we currently estimate. Given the current macroeconomic conditions, for this proxy statement we have assigned no value to our drug eluting stent systems and related i claims are asserted against us, including any claims related to payments to suppliers or other patients in our clinical trials, we will have to defend or resolve such claims before making dis stockholders, which will reduce amounts otherwise available for distribution to our stockhold

We have made estimates regarding the expense of personnel required and other operating exp accounting and other professional fees) necessary to dissolve and liquidate XTENT. Our actu significantly and depend on the timing and manner of the sale of our non-cash assets. If the ti we may incur additional expenses above our current estimates, which could substantially redu distribution to our stockholders; and

We have assumed that all material contract rights can be effectively transferred to third partie any required consents with the counterparties to those contracts, our ability to transfer such ri

We may continue to incur the expenses of complying with public company reporting requirements, which may burdensome.

Whether or not the Plan of Dissolution is approved, we have an obligation to continue to comply with the ap requirements of the Exchange Act, even though compliance with such reporting requirements may be economical minimal value to our stockholders. If

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the Plan of Dissolution is approved by our stockholders, in order to curtail expenses, we intend, on or about the E
from the SEC to suspend our reporting obligations under the Exchange Act, and ultimately to terminate the regist
We anticipate that, if granted such relief, we would continue to file current reports on Form 8-K to disclose mater
dissolution and liquidation along with any other reports that the SEC might require. To the extent that we are unal
to file periodic reports with the SEC, we will be obligated to continue complying with the applicable reporting re
Act and, as a result, will be required to continue to incur the expenses associated with these reporting requirement
available for distribution to our stockholders. These expenses include, among others, those costs relating to:

- the preparation, review, filing and dissemination of SEC filings;
- maintenance of effective internal controls over financial reporting; and
- audits and reviews conducted by our independent registered public accountants.

***If the amount of our contingency reserve is insufficient to satisfy the aggregate amount of our liabilities and o
stockholder may be liable to our creditors for the amount of liquidating distributions received by such stockhol
Dissolution, which could also have adverse tax consequences.***

After the Effective Date, our corporate existence will continue, but we will not be able to carry on any busin
winding up the business and affairs of XTENT. Following the Effective Date, we will pay or make reasonable pr
obligations, including all contingent, conditional or unmatured contractual or statutory claims, known to us. We a
insurance coverage or establish and set aside a reasonable amount of cash or other assets as a contingency reserve
obligations of XTENT. In the event that the amount of the contingency reserve, insurance and other measures cal
satisfaction of liabilities and claims are insufficient to satisfy the aggregate amount ultimately found payable in re
claims against us, each stockholder could be held liable for amounts due to creditors up to the amounts distributed
the Plan of Dissolution. In such event, a stockholder could be required to return all amounts received as distributi
Dissolution and ultimately could receive nothing under the Plan of Dissolution. Moreover, for U.S. federal incom
made by a stockholder in satisfaction of our liabilities not covered by the cash or other assets in our contingency r
through insurance or other reasonable means generally would produce a capital loss for such stockholder in the ye
The deductibility of any such capital loss generally would be subject to limitations under the Internal Revenue Co
the Code. See "*Proposal 1: Approval of Plan of Dissolution Certain Material U.S. Federal Income Tax Consequ

Liquidating distributions to our stockholders could be delayed or diminished.

All or a portion of any distributions to our stockholders could be delayed, depending on many factors, includ

- if a creditor or other third party seeks an injunction against the making of distributions to our
that the amounts to be distributed are needed to provide for the satisfaction of our liabilities o
- if we become a party to lawsuits or other claims asserted by or against us, including any claim
connection with our decision to liquidate and dissolve, payments to suppliers or other vendors
our clinical trials;
- if we are unable to sell our remaining non-cash assets or if such sales take longer than expecte

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if we are unable to resolve claims with creditors or other third parties, or if such resolutions ta

if the issuance of the revenue clearance certificate required to file our certificate of dissolution is delayed.

Any of the foregoing could delay or substantially diminish the amount available for distribution to our stockh the DGCL, claims and demands may be asserted against us at any time during the three years following the Effec board of directors may obtain and maintain insurance coverage or establish and set aside a reasonable amount of c contingency reserve to satisfy claims against and obligations of XTENT that may arise during the three-year perio Date. As a result of these factors, we may retain for distribution at a later date, some or all of the estimated amoun distribute to stockholders.

Stockholders will lose the opportunity to capitalize on potential growth opportunities from the continuation of c

Although our board of directors believes that the Plan of Dissolution is more likely to result in greater return continued as a stand-alone entity or pursued other alternatives, if the Plan of Dissolution is approved, stockholder capitalize on our business and possible future growth opportunities that may have arisen if we had continued our c pursued other alternatives. It is possible that these opportunities could prove to be more valuable than the liquidat stockholders would receive pursuant to the Plan of Dissolution.

Stockholders may not be able to recognize a loss for U.S. federal income tax purposes until they receive a final

As a result of our dissolution and liquidation, for U.S. federal income tax purposes, our stockholders general equal to the difference between (i) the sum of the amount of cash and the fair market value (at the time of distribu distributed to them, and (ii) their tax basis for their shares of our common stock. Liquidating distributions pursuan may occur at various times and in more than one tax year. Any loss generally will be recognized by a stockholder receives our final liquidating distribution to stockholders, and then only if the aggregate value of all liquidating di share is less than the stockholder's tax basis for that share. Stockholders are urged to consult their own tax advisor consequences to them of our dissolution and liquidation pursuant to the Plan of Dissolution. See "*Proposal 1: App Dissolution Certain Material U.S. Federal Income Tax Consequences.*"

Recordation of transfers of our common stock on our stock transfer books will be restricted as of a future date will determine, and thereafter it generally will not be possible for stockholders to change record ownership of c

Our board of directors may direct that our stock transfer books be closed and recording of transfers of comm the earliest of (x) the close of business on the record date fixed by our board of directors for the first or any subse liquidating distribution, (y) the close of business on the date on which our remaining assets are transferred to a liq on or as reasonably practicable after the date on which we file our certificate of dissolution under the DGCL. We directors will close our stock transfer books on or around the Effective Date. The Effective Date will be determin revenue clearance certificate from the Department of Finance and will be announced as

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soon as reasonably practicable after that time. Thereafter, certificates representing shares of our common stock wi transferable on our books except by will, intestate succession or operation of law, and we will not issue any new s replacement certificates. In addition, we anticipate that we will request that our common stock be delisted from th and that trading will be suspended on the Effective Date or as soon thereafter as is practicable.

Further stockholder approval may not be required in connection with the implementation of the Plan of Dissol of all or substantially all of our non-cash assets as contemplated in the Plan of Dissolution.

The approval of the Plan of Dissolution by our stockholders also will authorize, without further stockholder a to do and perform, or to cause our officers to do and perform, any and all acts and to make, execute, deliver or ad resolutions, conveyances, certificates and other documents of every kind that our board of directors deems necess in the absolute discretion of the board of directors, to implement the Plan of Dissolution and the transactions cont without limitation, all filings or acts required by any state or federal law or regulation to wind up its affairs. Acco timing of a stockholder vote on the Plan of Dissolution, we may dispose of our drug eluting stent systems and rela any and all of our other remaining non-cash assets without further stockholder approval. As a result, our board of actions in implementing the Plan of Dissolution, including the terms and prices for the sale of our drug eluting ste intellectual property and our other remaining non-cash assets, with which our stockholders may not agree.

Our board of directors may revoke implementation of the Plan of Dissolution even if it is approved by our stoc

Even if our stockholders approve the Plan of Dissolution at the Special Meeting, if for any reason our board such action would be in our best interests and the best interests of our stockholders, our board of directors may, in without requiring further stockholder approval, revoke the Plan of Dissolution and all action contemplated thereu by the DGCL. A revocation of the Plan of Dissolution would result in our stockholders not receiving any liquidati the Plan of Dissolution.

Risks Related to Our Continuing Business Operations if the Plan of Dissolution is Not Approved by Our S

The risks below describe the risks related to our business if the Plan of Dissolution is not approved and we c of using our cash on hand, any cash generated from financing activities, and any cash that may be generated by ou to support our continued operations while we continue to explore whether there may be opportunities to realize po remaining business assets.

If our stockholders do not approve the Plan of Dissolution, our board of directors will explore what, if any, a the future of XTENT, particularly in light of the fact that we have terminated substantially all of our employees, w additional capital to support our U.S. pivotal clinical trial and efforts to commercialize our products in Europe, co winding up our business and will continue to incur net losses for the foreseeable future. There is currently no activ and rehiring employees may not be possible, or would take several months at a cost that we are unable to estimate

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The risks and uncertainties described below are not the only ones facing XTENT, and our risks and uncertain of Dissolution is not approved and we alter our business strategy. Additional considerations not presently known believe are immaterial may also impair our business operations. If any of the following risks actually occurs, our or operating results could be materially and adversely affected, the value of our common stock could decline and your investment.

If our stockholders do not approve the Plan of Dissolution, our resources may diminish completely.

If our stockholders do not approve the Plan of Dissolution, our board of directors will explore what, if any, a the future of XTENT, particularly in light of the fact that we have terminated substantially all of our employees, v additional capital to support our U.S. pivotal clinical trial and efforts to commercialize our product in Europe, and winding up our business and will continue to incur net losses for the foreseeable future. We took several of these preserving cash available for distribution to stockholders and in recognition of the expectation that the announcem of Dissolution would adversely affect our ability to obtain approval from the FDA for our IDE, proceed with our commercialize our product in Europe. There is currently no active business left to operate and rehiring employees would take several months at a cost we are unable to estimate.

Possible alternatives include selling all of our stock or assets, changing our business focus, continuing our ef partner or a reverse merger partner, or seeking voluntary dissolution at a later time and with diminished assets. At directors has considered all of these options and has determined that it is in the best interests of our stockholders t return the cash to our stockholders. The board of directors, however, retains the right to consider other alternative offer arise before or after the Effective Date. If our stockholders do not approve the Plan of Dissolution, we expec continue to diminish and we would face risks related to continuing our historical business described in this proxy materially and adversely affect our business, financial condition or operating results and the value of our common or part of your investment. Moreover, any alternative we select may have unanticipated negative consequences.

If our stockholders do not approve the Plan of Dissolution, our stock price may be adversely affected.

On May 14, 2009, the trading day immediately prior to our announcement that our board of directors had ap Dissolution, the closing sales price of our common stock on the NASDAQ Global Market was $1.00. From May sales price of our common stock on the NASDAQ Global Market has ranged from a high of $1.04 and a low of $ not approve the Plan of Dissolution, our stock price may be adversely affected due to the market's doubt as to our successfully our drug eluting stent business or to pursue successfully other strategic alternatives, and we may not on the NASDAQ Global Market.

Continuing to pursue the commercialization of our Custom NX DES Systems would require significant change which may not be possible to implement in a timely manner, if at all.

If our stockholders do not approve the Plan of Dissolution and our board of directors determines that we sho business model of seeking to commercialize our Custom NX DES Systems for the treatment of coronary artery di peripheral artery disease, or PAD, we will need to significantly change our current operations. We would need sig

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capital to start our U.S. pivotal clinical trial and commercialize our product in Europe. Pursuing the commercializ
DES Systems would require us to:

- attract and retain additional personnel, including a senior management team and other key em
- obtain IDE approval from the FDA and start our U.S. pivotal clinical trial;
- begin validation activities for commercialization of our products in Europe; and
- resume our other clinical efforts and clinical support functions.

Implementing the changes necessary to pursue the commercialization of our Custom NX DES Systems will
and the parties with whom we must do business may be reluctant to work with us given our announced intention t
and affairs. We may not be able to implement these changes in a timely manner, if at all, which would have a mat
our ability to pursue our historical business model.

In addition to the risks described above, you should carefully consider the risks described in our Annual Report o
ended December 31, 2008 which was filed with the SEC on March 24, 2009, and a copy of which is being deliver
as ***Appendix B*** **and in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2009 which wa**
and a copy of which is being delivered with this proxy statement as *Appendix D*.

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PROPOSAL 1: APPROVAL OF PLAN OF DISSOLUTION

General

At the Special Meeting, our stockholders will be asked to approve the voluntary dissolution and liquidation o
Plan of Dissolution. Our board of directors approved the Plan of Dissolution, subject to stockholder approval, on
Plan of Dissolution is attached as *Appendix A* to this proxy statement and incorporated herein by reference. The m
of Dissolution are summarized below, including a summary of the Principal Provisions of the Plan of Dissolution
urge stockholders to read carefully the Plan of Dissolution in its entirety.

Background to the Proposed Dissolution and Liquidation

In September 2008, the Company initiated a search for additional financing and engaged Piper Jaffray & Co.
placement agent and financial advisor. On our behalf, Piper Jaffray contacted approximately 100 venture capitalis
corporate partners and private equity investors. In addition, senior management and members of the Board of Dire
investors, industry participants, and other strategic entities in an effort to secure funding or a strategic partnership
contacted by Piper Jaffray, our management, and our board of directors did not respond or declined to receive add
the fourth quarter of 2008, meetings were held with over 20 potential investors some of whom conducted extensiv
of the process, none of the potential investors submitted a term sheet or definitive documents for a financing. Con
potential for debt financing arrangements with a number of lenders without success. The difficulty of raising capi
the amount of capital needed to fund the ongoing operations of XTENT were significant factors in our inability to
board of directors similarly determined in consultation with Piper Jaffray, that a follow-on public offering would
and unlikely to raise the requisite capital and was therefore not feasible.

Recognizing the ongoing credit crisis and a deteriorating economy would likely continue to have a substantia
efforts and due to the lack of investor interest in completing a financing, on October 28, 2008 our board of directo
alternatives committee, or the Strategic Alternatives Committee, comprised of independent directors. The membe
Alternatives Committee were directors Henry A. Plain, Jr., Arthur T. Taylor, Allan R. Will and Michael A. Carus
Unkart was added to the Strategic Alternatives Committee on December 9, 2008. The other independent board me
required, to participate in the Strategic Alternatives Committee meetings. The Strategic Alternatives Committee w
management in evaluating strategic alternatives to the equity and debt financings previously attempted. The Strate
adopted a charter and met five times to consider strategic alternatives which included, without limitation, addition
financings, licensing arrangements, corporate partnerships, sale of distribution rights, forward mergers, reverse m
all assets, a divestiture of some assets, and a going private transaction. The Strategic Alternative Committee also
XTENT's resources to focus on the development of a peripheral stent system rather than on the Custom NX DES
designed for coronary applications. The Strategic Alternatives Committee also reviewed various operating models
Strategic Alternatives Committee discussed whether changes in the management structure would make a meaning
ability to continue as a stand-alone entity. The Strategic Alternatives Committee authorized management to hire a
banker as a strategic advisor and authorized management to solicit interest from investment bankers for the purpo
advisor that could assist our board of directors in a review and evaluation of its strategic alternatives.

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On January 6, 2009, the Strategic Alternatives Committee discussed various operating models, the engageme assist XTENT in its search for strategic alternatives and a potential reduction in headcount. On January 21, 2009, Committee of our board of directors met to discuss, among other things, a potential reduction in headcount. Later directors met and authorized management to engage Piper Jaffray as its financial advisor to assist management an evaluating strategic alternatives. The board of directors also concluded that based on a review of the operating mo available to it at the time, XTENT would not be able to continue as a stand-alone entity without raising capital or partnership. The board of directors approved an initiative to reduce XTENT's headcount by eliminating 115 positi cash. This reduction represented approximately 94% of XTENT's total workforce, and the reduction was complet impacted employees in March 2009. The timing of the completion of the headcount reduction permitted us to con respond to comments from the Medicines Evaluations Board in Europe regarding our application for CE Mark an regarding our application for IDE approval.

On January 23, 2009 we publicly announced our engagement of Piper Jaffray to help us explore potential str without limitation, a merger, a sale of substantially all our assets, a financing, or a sale of a portion of our assets, s technology, our drug eluting balloon technology or our bioabsorbable stent technology.

On January 29, 2009, Piper Jaffray began contacting potential strategic buyers for XTENT or its assets. Pipe in connection with the review of strategic alternatives. Concurrently, our management and our board of directors potential strategic buyers in an effort to secure investment in, or the acquisition of, XTENT. Twenty-one parties s agreements and entered into due diligence. Eleven parties passed on the opportunity to engage in a transaction wi 2009, nine initial proposals had been received. Piper Jaffray reviewed the nine initial proposals with our board of Following this meeting, our board of directors instructed Piper Jaffray to negotiate for terms and conditions that w XTENT stockholders. As a result, Piper Jaffray communicated with the parties, and on March 13, 2009 presented had been received from most of the parties, and one additional proposal to our board of directors. XTENT did not special purpose acquisition companies, or SPACs, offering to use their cash to fund the ongoing operations of XT

Five of the ten proposals involved a reverse merger of a third party into XTENT. The only publicly traded co transaction had a market capitalization at the time of less than $10 million. All of these proposals involved the use ongoing operations in the combined company and two of them were submitted by parties that did not have a stent Three of the five reverse merger candidates also explicitly stated that they had no interest in XTENT's non-cash a its business operations. Our board of directors decided not to pursue two of the five reverse merger proposals furt proposals did not offer any premium over the value of our cash and our board determined that the other proposal enough value proposition for our stockholders. In addition, one of the proposals involved a significant increase in to the unrelated nature of its business. Management and multiple directors attended presentations made by the oth potential synergies and evaluate the value propositions for XTENT's stockholders. Management also obtained add Piper Jaffray related to the proposals submitted by these parties. Ultimately, our board of directors concluded that by these parties, coupled with their value propositions and the increased risk of combining XTENT with any of th candidates, did not outweigh the value our stockholders would likely realize in a liquidation of XTENT.

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Three of the ten proposals involved either the acquisition of XTENT's assets in exchange for the other party's XTENT into the other party resulting in XTENT's stockholders receiving shares of the other party's stock. Two of publicly traded companies that did not have stent businesses and that had market capitalizations at the time below directors decided not to pursue transactions with two of the three parties because one of the proposals required a s and the other proposal was from a private company that was offering illiquid private company stock and was unab stockholders with cash consideration. Management and several of our directors attended a presentation made by t potential synergies and evaluate the value proposition for XTENT stockholders. Our board of directors concluded coupled with the value proposition and increased risk of combining XTENT with this party, did not outweigh the would likely realize in a liquidation of XTENT. In addition, for both of the public companies submitting proposal considered the fact that our stockholders could make their own decision to invest if they received their pro rata sh liquidating distribution.

The remaining two proposals were submitted by parties that were intending to use their cash to acquire XTE was a non-U.S. company that was intending to acquire the entire company and continue to run its business from th submission of its proposal, Company A conducted due diligence and we received feedback indicating that Compa transaction because: 1) the cost of manufacturing our product was greater than they expected and 2) the additiona conduct our U.S. pivotal clinical trial and increase our manufacturing capacity in order to support that trial or to c NX DES Systems in the European Union was too substantial. Company B was a U.S. company and we believe th necessary funds to acquire our assets and never submitted a firm proposal or asset purchase agreement following proposal. After giving each of these two parties additional time to reconsider their offers, our board of directors co parties were not moving forward with actionable transactions. Our board of directors then attempted, without succ certain major medical device companies to solicit interest in an asset acquisition, business combination, or strateg

While our board was considering the proposals discussed above, we received CE Mark on March 16, 2009 a Custom NX DES Systems in the European Union and certain other countries that recognize CE Mark. Upon learn imminent, Piper Jaffray contacted certain major medical device companies again to determine if they would recon transaction with XTENT based on the receipt of the CE Mark. None of these companies expressed interest.

Our board of directors and the Strategic Alternatives Committee met 18 times to discuss the status of efforts alternatives, to consider the proposals discussed above or to discuss various scenarios for operating XTENT on a alternative to liquidation. Our board of directors considered the potential for enhancing the value to stockholders with a reduced cash burn or trying to increase our manufacturing capacity in order to support the commercializati Systems. The risks of such continued operations were also considered, including the further use of existing cash, t launch our products commercially in Europe and to obtain IDE approval and commence our U.S. pivotal clinical party acquirer was placing significant value on our technology, the manufacturing cost of producing our Custom N risk of not being able to obtain necessary financing in the future even if certain milestones were obtained. On May directors reviewed financial aspects of a liquidation analysis prepared by management reflecting an analysis of as Our board of directors weighed liquidating XTENT against the potential for an acquisition of XTENT at a valuati estimated liquidation value reflected in management's liquidation analysis, or the potential for a

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strategic transaction that would provide significant value to the stockholders in excess of the liquidation amount. I
efforts already undertaken to obtain financing or a strategic alternative, our board of directors concluded that neith
likely in the near term. Our board of directors, in consultation with our financial advisors, also considered the mac
which had not improved sufficiently to enable raising capital and the state of the medical device industry generall
took note of the lack of interest in a business combination or other strategic transaction by financial and strategic
efforts by Piper Jaffray and in numerous cases directly by management and the board of directors.

On May 11, 2009 our board of directors reviewed the liquidation analysis again and concluded that it appear
combination transaction at a valuation materially in excess of the estimated liquidation value could be achieved in
conclusion was based on the lack of success, despite extensive efforts to identify additional funding, a business co
other strategic transactions that would provide value to our stockholders or reduce the cost of ongoing operations.
our board of directors did not believe it was useful or cost effective to request an opinion or appraisal from our fin
to the dissolution and liquidation of XTENT. Our board of directors concluded that an auction of XTENT's assets
dissolution and liquidation was the option that was in the best interests of XTENT and our stockholders and adopt
and recommended approval of the Plan to our stockholders.

On May 15, 2009, we issued a press release announcing that our board of directors had approved the Plan of

Reasons for Dissolution and Liquidation

In arriving at its determination that the Plan of Dissolution is advisable and in our best interests and the best
and is the preferred strategic option for XTENT, our board of directors carefully considered the terms of the Plan
dissolution process under Delaware law, as well as other available strategic alternatives. As part of our evaluation
directors considered the risks and timing of each alternative available to XTENT, as well as management's financ
with management and our legal and financial advisors. In approving the Plan of Dissolution, our board of director
factors set out above as well as the following factors:

- the significant operational costs associated with our clinical trials and ongoing research and d
had reduced to the extent management believed reasonable to permit continuation of our effor
period of time before we could assess the success of our efforts;

- the fact that we do not have sufficient cash reserves to support commercialization of our prod

- the fact that we engaged Piper Jaffray & Co. in September 2008 to solicit interest in a financi
operations, including obtaining FDA approval for our IDE, proceeding with our U.S. pivotal c
commercializing our products in Europe, and were unable to secure additional funding;

- the continuing crisis in the financing and capital markets, which had deepened since the midd
and the effect we and our financial advisors believe such crisis had on the willingness of third
with the requisite capital, as well as the significant uncertainties as to our ability to obtain futu
and development efforts and future clinical trials;

- the fact that we had vigorously and comprehensively explored strategic alternatives, including
efforts, with the assistance of Piper Jaffray & Co., to identify a merger,

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reverse merger, asset sale, strategic partnership or other business combination transaction that likelihood of providing value to our stockholders in excess of the amount the stockholders wo or that would mitigate the risks of our ongoing operations, which did not result in the identific transactions;

the fact that, in addition to the efforts made by Piper Jaffray, our management and members o contacted other companies and potential investors in the industry directly, including several la companies, to initiate conversations regarding potential investments, mergers or strategic part

the low probability that we would be presented with, or otherwise identify, within a reasonabl current circumstances, any viable opportunities to engage in an attractive alternative business strategic transaction that would provide value to our stockholders;

the substantial accounting, legal and other expenses associated with being a small publicly-tra existing and expected history of losses and path to potential revenue;

the terms and conditions of the Plan of Dissolution, including the provisions that permit our b the plan if our board of directors determines that, in light of new proposals presented or chang dissolution and liquidation are no longer advisable and in our best interests and the best intere

the fact that Delaware corporate law requires that the Plan of Dissolution be approved by the a majority of the shares of our common stock entitled to vote, which ensures that our board of actions of which a significant portion of our stockholders disapprove;

the fact that approval of the Plan of Dissolution by the requisite vote of our stockholders auth and officers to implement the Plan of Dissolution without further stockholder approval; and

the fact that stockholders are not entitled to assert dissenter's rights with respect to the Plan of DGCL.

Our board of directors also considered the following negative factors in arriving at its conclusion that dissolv is in our best interests and the best interests of our stockholders:

the uncertainty of the timing, nature and amount of any liquidating distributions to stockholde

the risks associated with the sale of our remaining non-cash assets as part of the Plan of Disso

the fact that stockholders would lose the opportunity to capitalize on the potential business op future growth of XTENT had we decided to continue to pursue development and commercial stent technology;

the risk that, under Delaware law, our stockholders may be required to return to creditors som distributions; and

the fact that, if the Plan of Dissolution is approved by our stockholders, stockholders would g
transfer shares of our common stock after the Effective Date as we would seek to suspend tra
practicable.

Our board of directors also considered the other factors described in the section entitled "*Risk Factors*" in thi
Company's 10-K for the year ended December 31, 2008 and its 10-Q for the quarter ended March 31, 2009 in dec
unanimously recommending that our stockholders approve, the Plan of Dissolution.

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In view of the variety of factors considered in connection with its evaluation of the Plan of Dissolution, our b it practical, and did not quantify or otherwise attempt, to assign relative weight to the specific factors considered i addition, our board of directors did not undertake to make any specific determination as to whether any particular particular factor, was favorable or unfavorable to its ultimate determination, but rather conducted an overall analy above. In considering the factors described above, individual members of our board of directors may have given d factors.

We cannot offer any assurance that the liquidation value per share of our common stock will equal or exceed such shares recently have traded or could trade in the future. However, our board of directors believes that it is in best interests of our stockholders to distribute to the stockholders our net assets pursuant to the Plan of Dissolutio approve the Plan of Dissolution, our board of directors will explore what, if any, alternatives are available for the particularly in light of the fact that we have terminated substantially all of our employees, would need significant our U.S. IDE pivotal clinical trial and commercialize our product in Europe, and commenced the process of wind continue to incur net losses for the foreseeable future. We took several of these steps in the interest of preserving distribution to stockholders. There is currently no active business left to operate and rehiring employees may not b several months at a cost we are unable to estimate.

Possible alternatives include selling all of our stock or assets, changing our business focus, continuing our ef partner or a reverse merger partner, or seeking voluntary dissolution at a later time and with diminished assets. At directors has considered all of these options and has determined that it is in the best interests of our stockholders t return the cash to our stockholders. The board of directors, however, retains the right to consider other alternative offer arise before or after the Effective Date. If our stockholders do not approve the Plan of Dissolution we expec continue to diminish. See "*Risk Factors Risks Related to Our Continuing Business Operations if the Plan of Diss Our Stockholders.*"

Dissolution Under Delaware law

Delaware law provides that a corporation may dissolve upon the recommendation of the board of directors o by the approval of its stockholders. Following such approval, the dissolution is effected by filing certificate of dis State. The corporation is dissolved upon the effective date of its certificate of dissolution.

Section 278 of the DGCL provides that once a corporation is dissolved, it continues its corporate existence b business except that appropriate to wind up and liquidate its business and affairs. The process of winding up inclu

- the collection of assets and the disposal of properties that will be applied toward the satisfacti provision for the satisfaction of liabilities and claims or will not otherwise be distributed in ki stockholders;
- the satisfaction or making reasonable provision for satisfaction of liabilities and claims;
- subject to statutory limitations, the distribution of any remaining assets to the stockholders of
- the taking of all other actions necessary to wind up and liquidate the corporation's business an

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Principal Provisions of the Plan of Dissolution

This section of the proxy statement describes material aspects of the proposed Plan of Dissolution. While we covers the material terms of the Plan of Dissolution, this summary may not contain all of the information that is in carefully read this entire proxy statement, including the Plan of Dissolution attached as *Appendix A* to this proxy s documents delivered with and incorporated by reference into this proxy statement for a more complete understand Dissolution.

Approval of Plan of Dissolution

The Plan of Dissolution must be approved by the affirmative vote of a majority of the outstanding shares of c approval of the Plan of Dissolution by the requisite vote of the holders of our common stock will constitute adopt and a grant of full and complete authority for our board of directors and officers, without further stockholder actio dissolution and liquidation of XTENT in accordance with any applicable provision of the DGCL, including the au drug eluting stent systems and related intellectual property and all of our other remaining non-cash assets.

Dissolution and Liquidation

If the Plan of Dissolution is approved by the requisite vote of our stockholders, the steps set forth below will as our board of directors, in its discretion and in accordance with the DGCL, deems necessary, appropriate or adv and the best interests of our stockholders:

the filing of a certificate of dissolution with the Secretary of State after obtaining a revenue cl Department of Finance;

the cessation of all of XTENT's business activities except those relating to winding up and liq and affairs, including, but not limited to, prosecuting and defending suits by or against XTEN assets, converting XTENT's assets into cash or cash equivalents, discharging or making provi XTENT's liabilities, withdrawing from all jurisdictions in which XTENT is qualified to do bu XTENT's remaining property among our stockholders according to their interests;

the collection, sale, exchange or other disposition of all or substantially all of XTENT's non-c one transaction or in several transactions to more than one buyer;

the payment of or the making of reasonable provision for the payment of all claims and obliga the making of such provisions as will be reasonably likely to be sufficient to provide compens XTENT which is the subject of a pending action, suit or proceeding to which XTENT is a par limitation, the establishment and setting aside of a reasonable amount of cash and/or property against and obligations of XTENT;

the pro rata distribution to our stockholders, or the transfer to one or more liquidating trustees stockholders under a liquidating trust, of the remaining assets of XTENT after payment or pro against and obligations of XTENT; and

the taking of any and all other actions permitted or required by the DGCL and any other appli

Authority of Officers and Directors

After the Effective Date, we expect that our board of directors (or some subset thereof) and our officers will
for the purpose of winding up the business and affairs of XTENT. Our board of directors may appoint officers, hi
independent contractors and agents in connection with the winding up process, and is authorized to pay compensa
compensate XTENT's directors, officers, employees, independent contractors and agents above their regular comp
the extraordinary efforts they may be required to undertake in connection with the successful implementation of t
Adoption of the Plan of Dissolution by the requisite vote of our stockholders will constitute approval by our stock
non-cash compensation.

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The approval of the Plan of Dissolution by our stockholders also will authorize, without further stockholder a to do and perform, or to cause our officers to do and perform, any and all acts and to make, execute, deliver or ad resolutions, conveyances, certificates and other documents of every kind that our board of directors deems necess in the absolute discretion of the board of directors, to implement the Plan of Dissolution and the transactions cont without limitation, all filings or acts required by any state or federal law or regulation to wind up its affairs.

Liquidating Trust

If deemed necessary, appropriate or desirable by our board of directors, in furtherance of the liquidation and stockholders in accordance with our Plan of Dissolution, we may transfer to one or more liquidating trustees, for t stockholders under a liquidating trust, any or all of our assets, including any cash intended for distribution to cred disposed of at the time of dissolution of XTENT. Our board of directors is authorized to appoint one or more indi partnerships or other persons, or any combination thereof, including, without limitation, any one or more of our d agents or representatives, to act as the initial trustee. Any trustee so appointed shall succeed to all right, title and i kind and character with respect to such transferred assets and, to the extent of the assets so transferred and solely shall assume all of our claims and obligations, including any unsatisfied claims and unknown or contingent liabili assets to a trustee shall be deemed to be a distribution of property and assets by us to our stockholders, including income tax purposes. Approval of the Plan of Dissolution by or stockholders shall constitute the approval of any t liquidating trust agreement, and any transfer of assets by us to the trust.

Whether or not a trust shall have been previously established, if it should not be feasible for us to make the f to our stockholders of all our assets and properties prior to the third anniversary of the filing of our certificate of d such date, we will be required to establish a trust and transfer any remaining assets and properties to the trustees. be only in the form of cash.

Professional Fees and Expenses

It is specifically contemplated that we will obtain legal and accounting advice and guidance from one or mor in implementing the Plan of Dissolution, and we will pay all fees and expenses reasonably incurred by us in conn the implementation of the Plan of Dissolution, including the prosecution, defense, settlement or other resolution o against us, the discharge, filing and disclosure of outstanding obligations, liabilities and claims, filing and resoluti county, state and federal tax authorities, and the advancement and reimbursement of any fees and expenses payab indemnification we provide in our certificate of incorporation and bylaws, the DGCL or otherwise. In addition, in purpose of implementing and assuring completion of the Plan of Dissolution, we may, in the absolute discretion o any brokerage, agency, professional and other fees and expenses of persons rendering services to us in connection exchange or other disposition of XTENT's property and assets and the implementation of the Plan of Dissolution.

Indemnification

We will continue to indemnify our directors, officers, employees, consultants, and agents to the maximum ex with applicable law, our certificate of incorporation and bylaws, and any contractual arrangements, for actions tak Plan of Dissolution

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and the winding up of our business and affairs, and we will indemnify any trustees and their agents on similar ter
and trustees are authorized to obtain and maintain insurance for the benefit of such directors, officers, employees,
trustees to the extent permitted by law and as may be necessary or appropriate to cover our obligations under the
including seeking an extension in time and coverage of XTENT's insurance policies currently in effect.

Liquidating Distributions

We will, as determined by our board of directors, (i) pay or make reasonable provision to pay all claims and
contingent, conditional or unmatured contractual claims known to XTENT, (ii) make such provisions as will be re
sufficient to provide compensation for any claim against XTENT which is the subject of a pending action, suit or
is a party and (iii) make such provision as will be reasonably likely to be sufficient to provide compensation for c
made known to XTENT or that have not arisen but that, based on facts known to XTENT or successor entity, are
known to XTENT or successor entity within 10 years after the Effective Date. Any of our assets remaining after t
for payment of claims against and obligations of XTENT shall be distributed by us pro rata to our stockholders. S
all at once or in a series of distributions and shall be in cash or assets, in such amounts, and at such time or times,
trustees, in their absolute discretion, may determine.

If any liquidating distribution to a stockholder cannot be made, whether because the stockholder cannot be lo
its certificates evidencing our common stock as may be required pursuant to the Plan of Dissolution, or for any ot
distribution to which such stockholder is entitled will be transferred, at such time as the final liquidating distributi
such state or other jurisdiction authorized or permitted by applicable law to receive the proceeds of such distributi
distribution will thereafter be held solely for the benefit of and for ultimate distribution to such stockholder as the
and will be treated as abandoned property and escheat to the applicable state or other jurisdiction in accordance w
event will the proceeds of any such distribution revert to or become our property.

Amendment, Modification or Revocation of Plan of Dissolution

If for any reason our board of directors determines that such action would be in the best interest of XTENT,
in its sole discretion and without requiring further stockholder approval, revoke the Plan of Dissolution and all ac
thereunder, to the extent permitted by the DGCL. Our board of directors may not amend or modify the Plan of Di
circumstances that would require additional stockholder approval under the DGCL and federal securities laws wit
requirements. The Plan of Dissolution would be void upon the effective date of any such revocation.

Cancellation of Common Stock

The liquidating distributions to stockholders pursuant to the Plan of Dissolution shall be in complete redemp
the outstanding shares of our common stock. As a condition to receipt of the liquidating distribution, our board of
require our stockholders to (i) surrender to us their certificates evidencing their shares of common stock or (ii) fur
satisfactory to our board of directors or trustees of the loss, theft or destruction of such certificates, together with
security or indemnity as may be required by and satisfactory to our board of directors or trustees. Thereafter, each

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common stock will cease to have any rights with respect to his, her or its shares, except the right to receive distrib
of Dissolution.

Liquidation Under Code Sections 331 and 336

It is intended that the Plan of Dissolution constitutes a plan of complete liquidation of XTENT within the me
336 of the Code. The Plan of Dissolution will be deemed to authorize the taking of such action as, in the opinion
be necessary to conform with the provisions of Sections 331 and 336 of the Code and the Treasury Regulations pr

Filing of Tax Returns, Forms and Other Reports and Statements

The Plan of Dissolution authorizes our officers to make such elections for tax purposes as are deemed approp
of XTENT. The Plan of Dissolution directs us to file an appropriate statement of corporate dissolution with the In
notify all jurisdictions of any withdrawals related to qualification to do business, file final tax returns and reports
IRS forms related to the reporting of liquidating distributions to stockholders.

Estimated Liquidating Distributions

**MANY OF THE FACTORS INFLUENCING THE AMOUNT OF CASH DISTRIBUTED TO OUR S
LIQUIDATING DISTRIBUTION CANNOT CURRENTLY BE QUANTIFIED WITH CERTAINTY AND
CHANGE. ACCORDINGLY, YOU WILL NOT KNOW THE EXACT AMOUNT OF ANY LIQUIDATIN
MAY RECEIVE AS A RESULT OF THE PLAN OF DISSOLUTION WHEN YOU VOTE ON THE PRO
THE PLAN OF DISSOLUTION. YOU MAY RECEIVE SUBSTANTIALLY LESS THAN THE AMOUNT
ESTIMATE.**

As of March 31, 2009, we had approximately $12.7 million in current assets and investments, including appr
cash and cash equivalents, and approximately $0.7 in other current assets. In addition to satisfying the liabilities r
we anticipate using cash, and current assets converted to cash, between March 31, 2009 and the end of the liquida
items, including the following:

- ongoing operating, overhead and administrative expenses;
- severance and termination benefits afforded to terminated employees;
- operating lease obligations related to our corporate headquarters;
- purchasing insurance policies and coverage for periods subsequent to the Effective Date;
- expenses and reserves incurred or made in connection with the termination of our clinical tria
- expenses incurred in connection with the dissolution and our liquidation; and
- professional, legal, tax, accounting, and consulting fees.

This projected liquidating distribution analysis assumes that the Plan of Dissolution will be approved by our
Dissolution is not approved by our stockholders, no liquidating distributions will be made. Pursuant to the Plan of

sell our remaining non-cash assets for the best price available as soon as reasonably practicable after the Effective
estimated proceeds of between $750,000 and $1,500,000 for these assets. We do not know what, if any, proceeds
connection with such a sale or the sale of the intellectual property related to our drug eluting stent technology. **Du**

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the value of our intellectual property, we have not provided any estimate of the proceeds of a sale of our int amount of liquidating distributions. If we were to receive a substantial amount of proceeds from the sale of could significantly affect the estimates that we have provided. We can provide no assurance, however, that property will result in any such additional proceeds. The amount of any contingency reserve established by ou deducted before the determination of amounts available for distribution to stockholders. Based on the foregoing, amount ultimately distributed to our stockholders will be between approximately $0.11 and $0.40 per share of co **estimates are not guarantees, do not reflect the total range of possible outcomes and have not been audited independent registered public accounting firm. You may receive substantially less than the amount we curr not receive any liquidating distributions if the Plan of Dissolution is not approved by our stockholders.**

Estimated Liquidating Distributions to Stockholders

	Low Range of Net Proceeds	High R N Proc
Current Assets and Investments as of April 30, 2009 (a)	$ 11,604,000	$ 11,6
Non-Cash Assets Other Than Intellectual Property (b)	750,000	1,5
Total Estimated Assets	12,354,000	13,1
Employee Compensation (c)	(1,110,000)	(9
Professional Fees (legal, tax, accounting, other)	(900,000)	(4
Insurance (d)	(700,000)	(6
Other Operating Expenses (e)	(750,000)	(5
Total Operating Expenses	(3,460,000)	(2,4
Total Estimated Liabilities and Reserves (f)	(6,192,000)	(1,1
Estimated Cash to Distribute to Stockholders (b)	2,702,000	9,4
Shares Outstanding (g)	23,539,260	23,5
Estimated Per Share Distribution	$ 0.11	$

Notes:

(a) Consists of approximately $10.9 million in cash and cash equivalents and approximately $0.7 million in

(b) Consists of property, equipment, furniture and supplies. **Due to the uncertainty of the value of our int not included the value of our intellectual property in Non-Cash Assets.**

(c)

Includes (i) approximately $0.3 million and $0.4 million in high and low estimates, respectively, in com employees through July 31, 2009, assuming that we maintain current compensation levels, (ii) approxin $0.7 million in the high and low estimates, respectively, in retention and termination benefits afforded t termination

(d) Includes director and officer liability, product liability and other insurance premiums.

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(e) Consists of ongoing operating, overhead and administrative expenses through July 31, 2009, including i dissolution and liquidation expenses, compliance and travel costs, as well as other customary operating

(f) Includes (i) approximately $0.7 million and $0.9 million in the high and low estimates, respectively, in accrued liabilities, (ii) approximately $0.5 million and $5.3 million in the high and low estimates, respe connection with resolution of pending and potential litigation, claims, assessments and related obligatio

(g) Consists of 23,352,904 shares of common stock outstanding as of April 30, 2009 and 313,230 shares of exercise of in-the-money stock options, assuming cashless exercise of vested stock options to purchase shares of common stock having a weighted-average exercise price of $0.40 and based upon a closing sa stock on the NASDAQ Global Market of $1.01 on April 30, 2009.

Pursuant to the Plan of Dissolution, we intend to liquidate all of our remaining non-cash assets and, after pay provision for the payment of claims against and obligations of XTENT as required by law, distribute any remainir We may defend suits and incur claims, liabilities and expenses (such as salaries and benefits, directors' and office local taxes, facilities expenses, legal, accounting and consulting fees, rent, clinical trial termination and related ex office expenses) following approval of the Plan of Dissolution and during the three years following the Effective claims, liabilities and expenses will reduce the amount of assets available for ultimate distribution to stockholders the actual amount of our liabilities, other obligations and expenses and claims against us, we believe that availabl received from the sale of our remaining non-cash assets will be adequate to provide for the satisfaction of our liab expenses and claims against us and that we will make one or more cash distributions to stockholders. The estimat $0.11 and $0.40 per share is our best current estimate of the aggregate amount of cash that will ultimately be avai stockholders.

Assuming that the Plan of Dissolution is approved by the requisite vote of our stockholders, we intend to sel dispose of our remaining non-cash assets, consisting of our drug eluting stent systems and related intellectual pro trial data and related regulatory filings, Custom NX DES Systems designs and related documentation, tooling, ma equipment, furniture and supplies, and pay or make reasonable provision for the payment of claims against and ob Although we are not able to predict with certainty the precise nature, amount or timing of any distributions, we pr initial distribution, as soon as reasonably practicable following the initial sale of our non-cash assets, to holders o as of the close of business on the Effective Date. We currently estimate that the amount ultimately distributed wil $0.11 and $0.40 per share of common stock, assuming we are unable to sell our non-cash assets. We are not able precise nature, amount or timing of any distributions, primarily due to our inability to predict the amount of our re amount that we will expend during the course of the liquidation, the timing of any sales of our remaining non-cas any, of our remaining non-cash assets. To the extent that the amount of our liabilities or the amounts that we expe greater than we anticipate, our stockholders may receive substantially less than the amount we currently estimate. not established a firm timetable for any final distributions to our stockholders. Subject to contingencies inherent i our board of directors intends to authorize any distributions as promptly as reasonably practicable in our best inte our stockholders. Our board of directors, in its discretion, will determine the nature, amount and timing of all dist *Factors Risks Related to the Plan of Dissolution.*"

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Conduct of the Company Following Dissolution

Assuming that the Plan of Dissolution is approved by the requisite vote of our stockholders, we intend to file with the Secretary of State as soon as reasonably practicable after receipt of the required revenue clearance certifi Finance. We intend to make a public announcement in advance of the anticipated Effective Date. After the Effect existence will continue but we may not carry on any business except that appropriate to wind up and liquidate our including, without limitation, collecting and disposing of our assets, satisfying or making reasonable provision for liabilities and, subject to legal requirements, distributing our remaining property among our stockholders.

Sale of Remaining Assets

The Plan of Dissolution gives our board of directors the authority to dispose of all of our remaining property stockholder approval. Stockholder approval of the Plan of Dissolution will constitute approval of any and all such such terms and at such prices as our board of directors, without further stockholder approval, may determine to be best interests of our stockholders. We intend to contract with one or more third parties to assist us in selling our re consisting primarily of our drug eluting stent systems and related intellectual property, on such terms as are appro in our best interests and the best interests of our stockholders. We may conduct sales by any means, including by private negotiations, to one or more purchasers in one or more transactions over a period of time. We intend to dis from any sale of our remaining non-cash assets to our stockholders within twelve months of such sale. In addition systems and related intellectual property, our remaining non-cash assets include our pre-clinical and clinical trial filings, Custom NX DES Systems designs and related documentation, tooling, manufacturing and test equipment,

The prices at which we will be able to sell our remaining non-cash assets will depend largely on factors beyo without limitation, the supply and demand for such assets, changes in interest rates, the condition of financial mar financing to prospective purchasers of the assets and regulatory approvals. The net price that we receive for our re be reduced to the extent that we contract with brokers or agents to assist in the sale of such assets. We currently in more third parties to assist us in selling our non-cash assets. In addition, we may not obtain as high a price for a p secure if we were not in liquidation. Upon the sale of any of our assets in connection with our liquidation, we will loss in an amount equal to the difference between (i) the fair market value of the consideration received for each a adjusted tax basis in the asset sold. See "*Certain Material U.S. Federal Income Tax Consequences*" below.

Contingency Reserve

Under the DGCL, we are required, in connection with our dissolution, to satisfy or make reasonable provisio claims and liabilities. Following the Effective Date, we will pay all expenses and other known liabilities and estab consisting of cash or other assets, that our board of directors believes will be adequate for the satisfaction of all cu conditional claims and liabilities. We also may seek to acquire insurance coverage and take other steps our board reasonably calculated to provide for the satisfaction of the reasonably estimated amount of such liabilities. We are a precise estimate of the amount of the contingency reserve or the cost of insurance or other steps we may undertа satisfaction of liabilities and claims, but any such amount will be deducted before the determination of amounts a stockholders.

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The actual amount of the contingency reserve may vary from time to time and will be based upon estimates a directors, derived from consultations with management and outside experts, if our board of directors determines th such experts, and a review of our estimated contingent liabilities and our estimated ongoing expenses, including, anticipated salary, retention, compensation and benefits payments; estimated investment banking, auction broker, clinical trial termination and related regulatory expenses; rent; payroll and other taxes; miscellaneous office exper expenses accrued in our financial statements; and costs related to public company reporting matters. We anticipat professional fees and other expenses of liquidation may be significant. Our established contingency reserve may n of our obligations, expenses and liabilities, in which case a creditor could bring a claim against one or more of ou amount distributed by us to that stockholder or stockholders pursuant to the Plan of Dissolution. From time to tim stockholders on a pro rata basis any portions of the contingency reserve that our board of directors deems no long

Potential Liability of Stockholders

Under the DGCL, if the amount of the contingency reserve and other measures calculated to provide for the claims are insufficient to satisfy the aggregate amount ultimately found payable in respect of our liabilities and cl stockholder could be held liable for amounts due to creditors up to the amounts distributed to such stockholder un

The potential for stockholder liability regarding a distribution continues for three years after the Effective Da dissolution does not remove or impair any remedy available against XTENT, our directors, officers or stockholde existing, or any liability incurred, prior to such dissolution or arising thereafter, unless the action or other proceed commenced within three years after the Effective Date.

If we were held by a court to have failed to make adequate provision for our expenses and liabilities or if the to be paid in respect of such liabilities exceeded the amount available from the contingency reserve, a creditor cou us to prevent us from making distributions to stockholders under the Plan of Dissolution. Any such action could d diminish liquidating distributions to our stockholders.

Reporting Requirements

Whether or not the Plan of Dissolution is approved, we have an obligation to continue to comply with the ap requirements of the Exchange Act, even though compliance with such reporting requirements may be economical value to our stockholders. If the Plan of Dissolution is approved by our stockholders, in order to curtail expenses, Effective Date, to seek relief from the SEC to suspend our reporting obligations under the Exchange Act, and ulti registration of our common stock. We anticipate that, if granted such relief, we would continue to file current repo material events relating to our dissolution and liquidation along with any other reports that the SEC might require grant us the requested relief. To the extent that we are unable to suspend our obligation to file periodic reports wit obligated to continue complying with the applicable reporting requirements of the Exchange Act and will be requ expenses associated with these reporting requirements, which will reduce the cash available for distribution to our

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Closing of Transfer Books

Our board of directors may direct that our stock transfer books be closed and recording of transfers of comm
the earliest of (x) the close of business on the record date fixed by our board of directors for the first or any subse
liquidating distribution, (y) the close of business on the date on which our remaining assets are transferred to a liq
on or as reasonably practicable after we file our certificate of dissolution under the DGCL. We expect that our bo
stock transfer books on or around the Effective Date. The Effective Date will be determined following the receipt
certificate from the Department of Finance and will be announced as soon as reasonably practicable after that tim
representing shares of our common stock will not be assignable or transferable on our books except by will, intest
of law, and we will not issue any new stock certificates, other than replacement certificates. See "*Cessation of Tra*
below.

The liquidating distributions to stockholders pursuant to the Plan of Dissolution shall be in complete redemp
the outstanding shares of our common stock. As a condition to receipt of the liquidating distribution, our board of
require our stockholders to (i) surrender to us their certificates evidencing their shares of common stock or (ii) fur
satisfactory to our board of directors or any trustees of the loss, theft or destruction of such certificates, together w
security or indemnity as may be required by and satisfactory to our board of directors or any trustees. Thereafter,
stock will cease to have any rights with respect to his, her or its shares, except the right to receive distributions pu
Dissolution.

If the surrender of stock certificates will be required following the dissolution, we will send you written instr
surrender. Any distributions otherwise payable by us to stockholders who have not surrendered their stock certific
may be held in trust for such stockholders, without interest, pending the surrender of such certificates (subject to
relating to unclaimed property).

Cessation of Trading of Common Stock

We anticipate that we will request that our common stock be delisted from the NASDAQ Global Market at t
Effective Date and that trading will be suspended on the Effective Date or as soon thereafter as is practicable. As
currently expect to close our stock transfer books on or around the Effective Date and to discontinue recording tra
certificates (other than replacement certificates) at that time. Accordingly, it is expected that trading in our shares
after the Effective Date.

Absence of Dissenters' Rights

Under the DGCL, holders of our shares of common stock are not entitled to assert dissenters' rights with resp
Dissolution.

Regulatory Approvals

We are not aware of any U.S. federal or state regulatory requirements or governmental approvals or actions t
consummate the Plan of Dissolution, except for compliance with applicable SEC regulations in connection with th
compliance with the DGCL. Additionally, our dissolution requires that we obtain a revenue clearance certificate f
Finance certifying that we have paid or provided for every license fee, tax increase or penalty of XTENT. In orde
clearance certificate, we must file an application with the Department of Finance. If our stockholders approve the
intend to file

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such application as soon as reasonably practicable after the Special Meeting. We intend to file our certificate of di
of State as soon as reasonably practicable after our receipt of the revenue clearance certificate.

Interests of Management in the Dissolution of the Company

Our directors, including Gregory D. Casciaro, our President and Chief Executive Officer, Timothy D. Kahle
Officer and Philippe Marco, our Vice President of Quality, Clinical and Regulatory Affairs have vested and exerc
aggregate of 1,040,332 shares of our common stock, 134,000 of which have exercise prices below $1.01 per share
price of our common stock on the NASDAQ Global Market on April 30, 2009. Pursuant to the terms of the plans
were granted, we are required to give notice to option holders prior to a proposed liquidation or dissolution of the
that have not been exercised prior to the Effective Date will automatically terminate on the Effective Date. Becau
of the options held by our directors and executive officers are less than the estimated per share liquidating distribu
stockholders under the Plan of Dissolution, we do not expect that any options held by our directors and executive
prior to their termination. See "*Security Ownership of Certain Beneficial Owners and Management*" for informati
and options held by our directors and executive officers.

We do not expect to pay any additional fees to our non-employee directors or committee members after May
of directors approved the Plan of Dissolution.

We also expect to continue compensating our officers and employees at their existing compensation levels ir
services provided during the implementation of the Plan of Dissolution. In addition, in January 2009, upon the rec
compensation committee, our board of directors established a non-equity retention program for certain employees
officers. The program was established in order to provide an incentive for these personnel to continue their emplo
order to complete the headcount reduction, pursue strategic alternatives, and in the absence thereof, wind down ar
the retention program, we expect to make retention payments to all five of our current employees, including $283
our President and Chief Executive Officer and $131,700 to Philippe Marco, our Vice President of Quality Assura
Affairs.

Following dissolution, we will continue to indemnify our directors, officers, employees, consultants, and age
permitted in accordance with applicable law, our certificate of incorporation and bylaws, and any contractual arra
in connection with the Plan of Dissolution and the winding up of our business and affairs, and we will indemnify
on similar terms. Our board of directors and any trustees are authorized to obtain and maintain insurance for the b
officers, employees, consultants, agents and any trustees to the extent permitted by law and as may be necessary c
obligations under the Plan of Dissolution, including seeking an extension in time and coverage of XTENT's insura
effect.

Certain Material U.S. Federal Income Tax Consequences

The following discussion is a general summary of the material U.S. federal income tax consequences of the d
XTENT pursuant to the Plan of Dissolution to XTENT and its stockholders. The discussion does not address all c
considerations that may be relevant to particular stockholders in light of their particular circumstances, or to stock
special treatment under U.S. federal income tax laws, including, without limitation, financial institutions, persons
pass-through entities,

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non-U.S. individuals and entities, or persons who acquired their shares of our common stock through stock option arrangements. This discussion does not address the U.S. federal income tax considerations applicable to holders o common stock. Furthermore, this discussion does not address any U.S. federal estate and gift or alternative minim state, local or foreign tax consequences of our dissolution and liquidation pursuant to the Plan of Dissolution.

The following discussion is based on the Code, applicable Treasury Regulations, and administrative and judi each as in effect as of the date hereof, all of which may change, possibly with retroactive effect. The discussion as common stock are held as capital assets within the meaning of Section 1221 of the Code (generally, property held

The following discussion has no binding effect on the IRS or the courts. Liquidating distributions pursuant to occur at various times and in more than one tax year. We can give no assurance that the U.S. federal income tax tr will remain unchanged at the time of our liquidating distributions. No ruling has been requested from the IRS with consequences of the Plan of Dissolution, and we will not seek any such ruling or an opinion of counsel with respe consequences.

THE FOLLOWING DISCUSSION DOES NOT PURPORT TO BE A COMPLETE ANALYSIS OF T CONSEQUENCES RELATING TO THE PLAN OF DISSOLUTION AND IS NOT TAX ADVICE. STOC URGED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE SPECIFIC TAX CONSEQUENCES CONNECTION WITH OUR DISSOLUTION AND LIQUIDATION PURSUANT TO THE PLAN OF DIS TAX RETURN REPORTING REQUIREMENTS AND THE EFFECT OF FEDERAL, STATE, LOCAL, TAX LAWS.

Material U.S. Federal Income Tax Consequences to the Company

After the approval of the Plan of Dissolution and until our liquidation is completed, we will continue to be su tax on our taxable income, if any, such as interest income, gain from the sale of any remaining assets or income fr of any of our assets in connection with our liquidation, we will recognize gain or loss in an amount equal to the di market value of the consideration received for each asset sold and (ii) our adjusted tax basis in the asset sold. We gain or loss upon the distribution of cash to our stockholders in liquidation of their shares of our common stock. W making distributions of property other than cash to stockholders in our liquidation. In the event we were to make property other than cash to our stockholders, we will recognize gain or loss upon the distribution of such property property for its fair market value on the date of the distribution. We currently do not anticipate that our dissolution the Plan of Dissolution will produce a material corporate tax liability for U.S. federal income tax purposes.

Material U.S. Federal Income Tax Consequences to Stockholders

In general, for U.S. federal income tax purposes, we intend that amounts received by our stockholders pursua will be treated as full payment in exchange for their shares of our common stock. As a result of our dissolution an generally will recognize gain or loss equal to the difference between (i) the sum of the amount of cash and the fai distribution) of property, if any, distributed to them and (ii) their tax basis for their shares of our common stock. I gain or loss will be computed on a "per share" basis. If we make more than one liquidating distribution, which is e distribution will be allocated proportionately to each share of stock owned by a stockholder,

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and the value of each liquidating distribution will be applied against and reduce a stockholder's tax basis in his or general, a stockholder will recognize gain as a result of a liquidating distribution to the extent that the aggregate v prior liquidating distributions received by the stockholder with respect to a share exceeds the stockholder's tax bas generally will be recognized by a stockholder only when the stockholder receives our final liquidating distributior only if the aggregate value of all liquidating distributions with respect to a share is less than the stockholder's tax loss recognized by a stockholder generally will be capital gain or loss and will be long term capital gain or loss if more than one year. The deductibility of capital losses is subject to limitations.

In the unlikely event we make a liquidating distribution of property other than cash to our stockholders, a sto property immediately after the distribution generally will be the fair market value of the property received by the distribution. Gain or loss realized upon the stockholder's future sale of that property generally would be measured the proceeds received by the stockholder in the sale and the tax basis of the property sold.

In the event that our liabilities are not fully covered by the cash or other assets in our contingency reserve or insurance or other reasonable means (See "*Contingency Reserve*" above), payments made by a stockholder in sati generally would produce a capital loss for such stockholder in the year the liabilities are paid. The deductibility of generally be subject to limitations under the Code.

Reporting of Liquidating Distributions and Back-Up Withholding

After the close of each taxable year, we will provide stockholders and the IRS with a statement of the amoun stockholders in our liquidation and our best estimate as to the value of any property distributed to them during the unlikely event we make a liquidating distribution of property other than cash to our stockholders, no assurance ca not challenge our valuation of the distributed property. Any stockholder owning at least 5% (by vote or value) of may be subject to special rules regarding information to be provided with the stockholder's U.S. federal income ta should consult their own tax advisors as to the specific tax consequences to them in connection with our dissolutio to the Plan of Dissolution, including tax return reporting requirements. Liquidating distributions made to our stock of Dissolution may be subject to back-up withholding (currently at a rate of 28%) requirements. Back-up withhol to payments made to exempt recipients, including corporations or financial institutions, or individuals who furnish identification number or a certificate of foreign status and other required information. Back-up withholding is not amounts withheld generally may be used as a credit against a stockholder's U.S. federal income tax liability or the refund of any excess amounts withheld by timely and duly filing a claim for refund with the IRS.

Accounting Treatment

If our stockholders approve the Plan of Dissolution, we will change our basis of accounting from that of an o stage enterprise, which contemplates realization of assets and satisfaction of liabilities in the normal course of bus of accounting. Under the liquidation basis of accounting, assets are stated at their estimated net realizable values a their estimated settlement amounts. Recorded liabilities will include the estimated expenses associated with carry Dissolution. For periodic reporting, a statement of net assets in liquidation will summarize the liquidation value p

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common stock. Valuations presented in the statement will represent management's estimates, based on present fac net realizable values of assets, estimated satisfaction amounts of liabilities, and expenses associated with carrying based upon management assumptions.

The valuation of assets and liabilities will necessarily require many estimates and assumptions, and there wil in carrying out the provisions of the Plan of Dissolution. Ultimate values realized for our assets and ultimate amou liabilities are expected to differ from estimates recorded in annual or interim financial statements.

Required Vote

All holders of our common stock as of the record date are entitled to vote on Proposal 1. The approval of the the affirmative vote of a majority of the outstanding shares of our common stock. Abstentions and broker non-vot as votes against Proposal 1. It is intended that shares represented by the enclosed form of proxy will be voted in fa otherwise specified in such proxy.

Members of our board of directors who beneficially owned an aggregate of approximately 51% of the outsta stock as of April 30, 2009 have indicated that they will vote in favor of Proposal 1.

Recommendation of our Board of Directors

Our board of directors has determined that the voluntary dissolution and liquidation of XTENT pursuant to t advisable and in our best interests and the best interests of our stockholders. **Our board of directors has approv and unanimously recommends that stockholders vote "FOR" approval of the Plan of Dissolution.**

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SELECTED FINANCIAL DATA

Set forth below is selected financial data for XTENT for the periods indicated. We derived the selected state the years ended December 31, 2008, 2007 and 2006 and balance sheet data as of December 31, 2008 and 2007 fr statements that are included in our Annual Report on Form 10-K for the year ended December 31, 2008, a copy o with this proxy statement as *Appendix B*. We derived the selected statement of operations data for the years ende 2004 and the balance sheet data as of December 31, 2006, 2005, and 2004 from our audited financial statements w with or incorporated by reference into this proxy statement. We derived the statements of operations data for the c June 13, 2002 (Inception) to March 31, 2009 and the three months ended March 31, 2009 and the balance sheet da from our unaudited financial statements that are included in our Quarterly Report on Form 10-Q for the quarter en of which is being delivered with this proxy statement as *Appendix D*. Our historic results are not necessarily indic be expected in the future. You should read this data together with our financial statements and related notes inclu Form 10-K for the year ended December 31, 2008 and our Quarterly Report on Form 10-Q for the quarter ended M the sections of each of those reports entitled "*Management's Discussion and Analysis of Financial Condition and*

Our board of directors approved the Plan of Dissolution, subject to stockholder approval, on May 11, 2009. T below and delivered with and incorporated by reference into this proxy statement does not include any adjustmen possible future effects on recoverability of the assets or satisfaction of liabilities that may result from adoption of our potential to complete such a plan in an orderly manner.

	Cummulative Period from June 13, 2002 (Date of Inception) to March 31, 2009	Three months Ended March 31, 2009	Year Ended December 3			
			2008	2007	2006(1)	20
			(in thousands, except per share data)			
Operating expenses:						
Research and development	$ 110,238	$ 4,654	$ 31,170	$ 30,888	$ 18,923	$ 1
General and administrative	37,223	2,763	10,917	11,269	7,258	
Impairment of long-lived assets	2,494	2,494				
Total operating expenses	149,955	9,911	42,087	42,157	26,181	1
Loss from operations	(149,955)	(9,911)	(42,087)	(42,157)	(26,181)	(1
Interest and other income, net	6,118	55	966	3,363	1,137	
Net loss	(143,837)	(9,856)	(41,121)	(38,794)	(25,044)	(1
Deemed dividend related to beneficial conversion feature of redeemable convertible preferred stock	(13,095)				(13,095)	
Net loss attributable to common stockholders	$ (156,932)	$ (9,856)	$ (41,121)	$ (38,794)	$ (38,139)	$ (1
Net loss per share attributable to common stockholders basic and diluted		$ (.42)	$ (1.78)	$ (1.87)	$ (13.96)	$
Weighted-average common shares outstanding basic and diluted		23,324	23,116	20,703	2,732	

(1) The Company adopted provisions of SFAS 123(R) starting January 1, 2006.

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	As of March 31, 2009	December 31, 2008	2007	2006	2005
			(in thousands)		
Balance Sheet Data					
Cash and cash equivalents	$ 11,960	$ 13,373	$ 13,366	$ 23,105	$ 6,56
Short-term investments		5,752	44,394		
Working capital	10,867	17,070	54,581	21,066	5,58
Total assets	14,178	23,995	62,415	27,121	8,67
Reedeemable convertible preferred stock				75,593	35,90
Total stockholders' equity (deficit)	12,412	21,508	58,331	(50,780)	(28,37

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PROPOSAL 2: APPROVAL OF ADJOURNMENT OF SPECIAL MEETING TO SO ADDITIONAL PROXIES

General

At the Special Meeting, we may ask our stockholders to vote on a proposal to adjourn the Special Meeting to if deemed necessary in the judgment of the proxy holders, for the purpose of soliciting additional proxies to vote i adjournment of the Special Meeting may be made without notice, other than by the announcement made at the Sp cast in favor of the adjournment proposal by the holders of shares of our common stock entitled to vote on the pro against the proposal at the Special Meeting. However, if the adjournment is for more than 120 days from the date a new record date for the adjourned meeting shall be fixed and a new notice of the adjourned meeting shall be giv record entitled to vote at the adjourned meeting. If we adjourn the Special Meeting to a later date, we will transac unless we must fix a new record date, only the stockholders who were eligible to vote at the original meeting will adjourned meeting.

Required Vote

The approval of any adjournment of the Special Meeting requires that the votes cast in favor of the proposal the proposal at the Special Meeting. Abstentions from voting and broker non-votes will have no impact on the vo

Recommendation of our Board of Directors

Our board of directors unanimously recommends that stockholders vote "FOR" approval of Proposal

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SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGE

Except as otherwise noted, the following table sets forth, as of April 30, 2009, information with respect to th common stock by (i) each person, or group of affiliated persons, known by us to be the beneficial owner of more stock, (ii) each of our current directors, (iii) each of our named executive officers and (iv) all directors and execut

Beneficial ownership is determined according to the rules of the SEC. Beneficial ownership means that a per investment power of a security, and includes shares underlying options and warrants that are currently exercisable 60 days after the measurement date. This table is based on information supplied by officers, directors and principa otherwise indicated, we believe that the beneficial owners of our common stock listed below, based on the inform to us, have sole investment and voting power with respect to their shares, except where community property laws

Unless otherwise indicated, we deem shares of common stock subject to options and warrants that are exerci April 30, 2009 to be outstanding and beneficially owned by the person holding the options and warrants for the pu percentage ownership of that person, but we do not treat them as outstanding for the purpose of computing the ow other person.

Beneficial Owner	Beneficial Ownership Number of Shares	Options and Warrants Exercisable Within 60 Days	P O Ap
5% Stockholders			
Morgenthaler Partners VI, L.P(1)	5,085,243		
Funds affiliated with Advanced Technology Ventures (2)	2,999,393		
Funds affiliated with Latterell Venture Partners (3)	2,828,190		
St. Paul Venture Capital VI, L.L.C. (4)	2,615,135		
Davidson Kempner Partners (5)	1,290,913		
State of Wisconsin (6)	1,290,432		
Named Executive Officers and Directors			
Gregory D. Casciaro (7)	566,778	423,790	
Timothy D. Kahlenberg		194,376	
Phillipe Marco (8)	71,050	72,661	
Henry A. Plain, Jr. (9)	459,656	26,667	
Michael A. Carusi	2,999,393	10,000	
Michael L. Eagle		10,000	
Robert E. Flaherty	3,685	30,000	
Edward W. Unkart	8,333	30,000	
Allan R. Will	2,775,291	10,000	
Christopher M. Smith		10,000	
Arthur T. Taylor		10,000	
All executive officers and directors as a group (11 persons)	17,378,964	827,494	

(1) Includes 5,085,243 shares held by Morgenthaler Partners VI, L.P. Voting and investment power are sha Gary J. Morgenthaler, Robert D. Pavey, John D. Lutsi, G. Gary

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Shaffer, Gary R. Little, Peter G. Taft, Theodore A. Laufik and Paul R. Levine, the managing members o
Partners VI, L.L.C., the general partner of Morgenthaler Partners VI, L.P., with respect to shares held b
VI, L.P. Each managing member disclaims beneficial ownership of these shares, except to the extent of
therein. The address for Morgenthaler Partners VI, L.P. is 2710 Sand Hill Road, Suite 100, Menlo Park,

(2)

Includes 2,409,589 shares held by Advanced Technology Ventures VII, L.P., 402,776 shares held by A
Ventures VI, L.P., 96,694 shares held by Advanced Technology Ventures VII (B), L.P., 46,477 shares h
Technology Ventures VII (C), L.P., 25,708 shares held by ATV Entrepreneurs VI, L.P., 14,359 shares h
VII, L.P., and 3,790 shares held by ATV Alliance 2002, L.P. ATV Associates VII, L.L.C. is the general
Technology Ventures VII, L.P., Advanced Technology Ventures VII (B), L.P., Advanced Technology V
ATV Entrepreneurs VII, L.P. ATV Associates VI, L.L.C. is the general partner of Advanced Technolog
ATV Entrepreneurs VI, L.P. ATV Capital Management, Inc. is the sole member of ATV Alliance Asso
partner of ATV Alliance 2002, L.P. Michael A. Carusi, Steve Baloff, Bob Hower, Jean George and Bill
directors of ATV Associates VII, L.L.C., share voting and investment power with respect to shares held
Ventures VII, L.P., Advanced Technology Ventures VII (B), L.P., Advanced Technology Ventures VII
Entrepreneurs VII, L.P. Michael A. Carusi, Steve Baloff and Pieter Schiller, as managing directors ofA
share voting and investment power with respect to shares held by Advanced Technology Ventures VI, L
VI, L.P. Jean George, as the sole manager of ATV Alliance Associates, L.L.C., has voting and investme
shares held by ATV Alliance 2002, L.P. Each managing director and manager disclaims beneficial own
to the extent of his or her pecuniary interest therein. Mr. Carusi's address is c/o Advanced Technology V
Suite 3700, Waltham, MA 02451.

(3)

Includes 2,020,425 shares held by Latterell Venture Partners II, L.P., 586,574 shares held by Latterell V
196,458 shares held by Latterell Venture Partners III, L.P., 9,822 shares held by LVP III Associates, L.
III Partners, L.P., and 10,000 shares held by Latterell Management Company, L.L.C. Latterell Capital M
general partner of Latterell Venture Partners, L.P., Latterell Capital Management II, L.L.C. is the gener
Venture Partners II, L.P., and Latterell Capital Management III, L.L.C. is the general partner of Latterel
LVP III Associates, L.P. and LVP III Partners, L.P. Patrick F. Latterell, Stephen M. Salmon and James
of Latterell Capital Management, L.L.C., Latterell Capital Management II, L.L.C., Latterell Capital Ma
Latterell Management Company, L.L.C. and share voting and investment power. Each member disclain
these shares, except to the extent of his pecuniary interest therein. Mr. Latterell's address is c/o Latterell
Embarcadero Center, Suite 4050, San Francisco, CA 94111.

(4)

SPVC VI, LLC (formerly St. Paul Venture Capital VI, LLC) is jointly managed by Split Rock Partners,
Partners, L.L.C.; however, voting and investment power has been delegated solely to Split Rock Partner
David Stassen, Michael Gorman and James Simons, as managing directors of Split Rock Partners, LLC
power with respect to the shares held by SPVC VI, LLC. Split Rock Partners, LLC and each of its mana
beneficial ownership of these shares, except to the extent of his or their pecuniary interest therein. Mr. V
Rock Partners, L.L.C., 1600 El Camino Real, Suite 290, Menlo Park, CA 94025. The address for SPVC
Drive, Suite 550, Eden Prairie, MN 55344.

(5)

Based on a Form 13G/A filed with the SEC on February 17, 2009.

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(6) Based on a Form 13G filed with the SEC on February 3, 2009.

(7) Includes 3,400 shares held by Mr. Casciaro as custodian for his minor son and minor daughter under the Transfer to Minors Act. Also includes 1,700 shares held by Mr. Casciaro's adult daughter as to which M beneficial ownership

(8) 167 of these shares are subject to our right of repurchase as of April 30, 2009.

(9) Henry A. Plain, Jr.'s address is c/o Morgenthaler Ventures, 2710 Sand Hill Road, Suite 100, Menlo Park

Market for Our Common Stock

Our common stock trades on the NASDAQ Global Market under the symbol "XTNT." The following table s indicated, the high and low closing sales prices for our common stock as quoted on the NASDAQ Global Market period. The closing sales price of our common stock on the NASDAQ Global Market was $1.00 on May 14, 2009 announcement that our board of directors approved the Plan of Dissolution. The closing sales price of our commo Global Market was $1.01 on April 30, 2009.

	2009		2008		
Fiscal Year Ended December 31,	**High**	**Low**	**High**	**Low**	**High**
First Quarter	$1.26	$0.90	$10.00	$4.60	$16.4
Second Quarter (1)	1.26	0.18	6.52	2.50	13.9
Third Quarter			3.14	1.05	10.5
Fourth Quarter			1.31	0.25	10.8

(1) For the second quarter of 2009, reflects high and low sales prices through April 30, 2009.

As of April 30, 2009, there were approximately 107 holders of record of our common stock. No cash divider our common stock.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements, and other information with the SEC. You ma materials we file with the SEC at the SEC's Public Reference Room at 100 F Street NE, Washington, DC 20549-2 information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC mai *http://www.sec.gov* that contains reports, proxy and information statements, and other information regarding issue with the SEC. You may also find the materials we file with the SEC on the "Investor Relations" section of our we *http://www.XTENTinc.com*. Information on our website is not incorporated by reference into, or made a part of, th

HOUSEHOLDING

Beneficial owners, but not record holders, of our common stock who share a single address may receive only statement, unless their broker, bank or other nominee has received contrary instructions from any beneficial owne practice, known as "householding," is designed to reduce printing and mailing expenses. If any beneficial owner a discontinue householding and receive a separate copy of the proxy statement, they should notify their broker, ban Beneficial owners sharing an address to which a single copy of the proxy statement was delivered can also reques separate copy of

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the proxy statement by contacting us at XTENT, Inc., 125 Constitution Drive, Menlo Park, California 94025-1118 (650) 433-4834.

WHO CAN HELP ANSWER YOUR QUESTIONS

If you have additional questions about the Special Meeting, you should contact:

Ronald C. Austin, Secretary
XTENT, Inc.
125 Constitution Drive
Menlo Park, California 94025-1118
Telephone: (650) 433-4834

OTHER BUSINESS

We know of no other business to be presented at the Special Meeting, and no other matters properly may be Special Meeting. If any other business properly were to come before the Special Meeting, it is intended that the sh would be voted with respect thereto in accordance with the best judgment of the persons named in the accompany

INCORPORATION BY REFERENCE

The SEC allows us to "incorporate by reference" information into this proxy statement, which means that we information to you by referring you to other documents that we have filed separately with the SEC and delivered statement. This proxy statement incorporates by reference the following documents:

- our annual report on Form 10-K for the year ended December 31, 2008, as filed with the SEC of which is attached hereto as *Appendix B*;
- our current reports on Form 8-K, as filed on with the SEC on January 27, 2009, February 11, April 6, 2009 and May 15, 2009; and
- amendment No. 1 on Form 10-K/A to our annual report on Form 10-K for the year ended Dec with the SEC on April 30, 2009, a copy of which is attached hereto as *Appendix C*.
- our quarterly report on Form 10-Q for the quarter ended March 31, 2009, as filed with the SE of which is attached hereto as *Appendix D*.

In addition, all documents we file pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent t the date of the Special Meeting or any adjournment or postponement thereof will be deemed to be incorporated by part hereof from the date of the filing of such documents.

A copy of our annual report on Form 10-K for the year ended December 31, 2008 is being delivered with thi *Appendix B*, a copy of amendment No. 1 on Form 10-K/A to our annual report on Form 10-K for the year ended D delivered with this proxy statement as *Appendix C*, and a copy of our quarterly report on Form 10-K for the quart being delivered with this proxy statement as *Appendix D*. We will provide without charge to each person to whom statement is delivered, upon the written or oral request of such person and by first class mail or other equally pron

business day of receipt of such request, a copy of any and all of the documents incorporated by reference herein a
such person (not including the exhibits to such documents, unless such exhibits are specifically incorporated by re
Requests for such copies should

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be directed in writing to XTENT, Inc., 125 Constitution Drive, Menlo Park, California 94025-1118, Attention: Se
(650) 433-4834. See "*Where You Can Find More Information.*"

Any statement contained in a document incorporated by reference into this proxy statement will be deemed t
for purposes of this proxy statement to the extent that a statement contained in this proxy statement modifies or su
statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part

BY ORDER OF THE BOARD OF DIRECTORS

Gregory D. Casciaro
President, Chief Executive Officer and Director
June 8, 2009
Menlo Park, California

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PLAN OF COMPLETE LIQUIDATION AND DISSOLUTION
OF
XTENT, INC.

The following Plan of Complete Liquidation and Dissolution (the "***Plan of Dissolution***"), dated as of May 1 dissolution and complete liquidation of XTENT, Inc., a Delaware corporation (the "***Company***"), in accordance wi applicable provisions of the Delaware General Corporation Law (the "***DGCL***") and Sections 331 and 336 of the I 1986, as amended (the "***Code***").

1. *Adoption of Plan.* The board of directors of the Company (the "***Board of Directors***") has adopted reso and in the best interest of the stockholders of the Company to dissolve and liquidate the Company, adopt the Plan special meeting (the "***Meeting***") of the holders of the Company's common stock (the "***Common Stock***") to approv liquidation of the Company (including the sale of all or substantially all of the Company's assets), adopt the Plan Company's actions taken to date on the Plan of Dissolution. If stockholders holding a majority of the outstanding vote in favor of the proposed dissolution and liquidation of the Company (including sale of all or substantially all the adoption of the Plan of Dissolution at the Meeting, the Plan of Dissolution shall constitute the adopted Plan of as of the date of the Meeting, or such later date on which the stockholders may approve the Plan of Dissolution if later date (the "***Meeting Date***").

2. *Cessation of Business Activities.* After the Effective Date (as defined below) and in accordance with S Company shall not engage in any business activities except for the purpose of winding up and liquidating its busi but not limited to, prosecuting and defending suits, whether civil, criminal or administrative, by or against the Co converting its assets into cash or cash equivalents, discharging or making provision for discharging its liabilities, jurisdictions in which it is qualified to do business, distributing its remaining property among its stockholders acc doing every other act necessary to wind up and liquidate its business and affairs, but not for the purpose of contin the Company was organized.

3. *Certificate of Dissolution.* After the Meeting Date, the officers of the Company shall, at such time as t absolute discretion, deems necessary, appropriate or desirable, obtain any certificates required from the Delaware obtaining such certificates and paying such taxes as may be owing, and securing the necessary stockholder approv with the Secretary of State of the State of Delaware a certificate of dissolution (the "***Certificate of Dissolution***") i specifying the date upon which the Certificate of Dissolution will become effective (the "***Effective Date***").

4. *Liquidation Process.* From and after the Effective Date and subject to the provisions hereof, the Comp following corporate actions:

a. *Sale of All or Substantially All of the Non-Cash Assets.* The Company shall determine wheth exchange or otherwise dispose of all or substantially all of its non-cash property and assets, including b assets, intellectual property and other intangible assets, in one or more transactions upon such terms and Directors, in its absolute discretion, deems expedient and in our best interests and the best interests of o further vote or action by the Company's stockholders. The Company's non-cash assets and properties m or in

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several transactions to one or more buyers. The Company shall not be required to obtain appraisals, fair third-party opinions as to the value of its properties and assets in connection with the liquidation. In con sale, exchange and other disposition, the Company shall collect or make provision for the collection of and claims owing to the Company.

b. *Liquidation of Assets.* The Company shall determine whether and when to transfer the Comp a liquidating trust (established pursuant to Section 6 hereof).

c. *Payment Obligations.* The Company shall, as determined by the Board of Directors, (i) pay o to pay all claims and obligations, including all contingent, conditional or unmatured contractual claims (ii) make such provisions as will be reasonably likely to be sufficient to provide compensation for any c which is the subject of a pending action, suit or proceeding to which the Company is a party and (iii) ma reasonably likely to be sufficient to provide compensation for claims that have not been made known to not arisen but that, based on facts known to the Company or successor entity, are likely to arise or to be or successor entity within 10 years after the Effective Date. Such claims shall be paid as required by app insufficient assets of the Company, such claims and obligations of the Company shall be paid or provid their priority and, among claims of equal priority, ratably to the extent of assets of the Company legally the extent deemed necessary, appropriate or desirable by the Board of Directors or the Trustees (as defi their absolute discretion, the Company may establish and set aside a reasonable amount of cash and/or p ***Reserve***") to satisfy such claims and obligations against the Company, including, without limitation, tax expenses related to the sale of the Company's property and assets, all expenses related to the collection Company's property and assets, and the liquidation and dissolution provided for in this Plan.

d. *Distributions to Stockholders.* Any assets of the Company remaining after the payment of cl payment of claims and obligations of the Company as provided in subsection (c) above shall be distribu to its stockholders. Such distribution may occur all at once or in a series of distributions and shall be in amounts, and at such time or times, as the Board of Directors or the Trustees, in their absolute discretio

5. *Cancellation of Common Stock.* The distributions to stockholders pursuant to Sections 4 and 8 (the "***Li*** shall be in complete redemption and cancellation of all of the outstanding shares of Common Stock. As a conditio Liquidating Distribution, the Board of Directors or the Trustees, in their absolute discretion, may require the stock certificates evidencing the Common Stock to the Company or its agents for recording of such distributions thereo Company with evidence satisfactory to the Board of Directors or the Trustees of the loss, theft or destruction of th the Common Stock, together with such surety bond or other security or indemnity as may be required by and satis Directors or the Trustees. The Board of Directors, in its absolute discretion, may direct that the Company's stock t recording of transfers of Common Stock discontinued as of the earliest of (x) the close of business on the record d Directors for the first or any subsequent installment of any Liquidating Distribution, (y) the close of business on t remaining assets of the Company are transferred to the Trust, or (z) the date on which the Company files its Certi the DGCL (such date, the "***Record Date***"), and thereafter certificates representing shares of Common Stock will n transferable on the books of the Company except by will, intestate succession or operation of law.

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6. *Liquidating Trust.* If deemed necessary, appropriate or desirable by the Board of Directors, in its absol of the liquidation and distribution of the Company's assets to the stockholders in accordance with the provisions h Distribution or from time to time, the Company may transfer to one or more liquidating trustees, for the benefit of "***Trustees***") under a liquidating trust (the "***Trust***"), any assets of the Company, including cash, intended for distrib stockholders not disposed of at the time of dissolution of the Company, including the Contingency Reserve. The B authorized to appoint one or more individuals, corporations, partnerships or other persons, or any combination the limitation, any one or more officers, directors, employees, agents or representatives of the Company, to act as the for the benefit of the stockholders and to receive any assets of the Company. Any Trustees appointed as provided shall succeed to all right, title and interest of the Company of any kind and character with respect to such transfer of the assets so transferred and solely in their capacity as Trustees, shall assume all of the claims and obligations d in Section 4(b) hereof, including, without limitation, any unsatisfied claims and unknown or contingent liabilities, assets to the Trustees shall be deemed to be a distribution of property and assets by the Company to the stockhold Section 4(d) of this Plan. Any such conveyance to the Trustees shall be treated for U.S federal and state income ta Company made such distribution to the stockholders and the assets conveyed shall be held in trust for the stockho Company, subject to this Section 6 and as authorized by the Board of Directors, in its absolute discretion, may ent agreement with the Trustees, on such terms and conditions as the Board of Directors, in its absolute discretion, ma appropriate or desirable. Adoption of the Plan of Dissolution by holders of a majority of the outstanding shares of constitute the approval of the stockholders of any such appointment, any such liquidating trust agreement and any Company to the Trust as their act and as a part hereof as if herein written.

7. *Abandoned Property.* If any Liquidating Distribution to a stockholder cannot be made, whether becaus located, has not surrendered its certificates evidencing the Common Stock as required hereunder or for any other r to which such stockholder is entitled (unless transferred to the Trust established pursuant to Section 6) shall be tra final Liquidating Distribution is made by the Company, to the extent permitted by law, to the official of such state authorized by applicable law to receive the proceeds of such distribution. The proceeds of such distribution shall t the benefit of and for ultimate distribution to such stockholder as the sole equitable owner thereof and shall be tre and escheat to the applicable state or other jurisdiction in accordance with applicable law. In no event shall the pr distribution revert to or become the property of the Company.

8. *Final Liquidating Distribution.* Whether or not a Trust shall have been previously established pursuant be feasible for the Company to make the final Liquidating Distribution to its stockholders of all assets and all prop to the third anniversary of the filing of its Certificate of Dissolution, then, on or before such date, the Company sh Trust and transfer any remaining assets and properties (including, without limitation, any uncollected claims, cont Contingency Reserve) to the Trustees as set forth in Section 6. Not more than three years from the date of its crea shall make a final distribution of any remaining assets to the holders of the beneficial interests of the Trust. Any s in the form of cash.

9. *Stockholder Consent to Sale of Assets.* Approval of the proposed dissolution and adoption of the Plan c majority of the outstanding shares of Common Stock shall constitute the approval of the stockholders of the Comp Company and the

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sale, exchange or other disposition in liquidation of all or substantially all of the property and assets of the Compa
hereof, whether such sale, exchange or other disposition occurs in one transaction or a series of transactions, and
all contracts for sale, exchange or other disposition which are conditioned on adoption of the Plan of Dissolution.

10. *Expenses of Dissolution.* In connection with and for the purposes of implementing and assuring comp
Dissolution, the Company may, in the absolute discretion of the Board of Directors, pay any brokerage, agency, p
fees and expenses of persons rendering services to the Company in connection with the collection, sale, exchange
Company's property and assets and the implementation of the Plan of Dissolution. Adoption of the Plan of Dissol
approval of such payments by the stockholders of the Company.

11. *Employees and Independent Contractors.* In connection with effecting the dissolution of the Compan
implementing and assuring completion of the Plan of Dissolution, the Company may, in the absolute discretion of
employees and retain independent contractors and agents as the Board of Directors deems necessary or desirable
and liquidation. The Company may, in the absolute discretion of the Board of Directors, but subject to applicable
requirements, pay the Company's officers, directors, employees, independent contractors, agents and representativ
compensation or additional compensation above their regular compensation, in money or other property, as severa
form, in recognition of the extraordinary efforts they, or any of them, will be required to undertake, or actually un
necessary retain the services of any of them, in connection with the implementation of the Plan of Dissolution. Ac
Dissolution shall constitute approval of any such compensation by the stockholders of the Company.

12. *Indemnification.* The Company shall continue to indemnify its officers, directors, employees, indepen
to the maximum extent permitted in accordance with applicable law, its certificate of incorporation and bylaws an
arrangements, for actions taken in connection with the Plan of Dissolution and the winding up of the affairs of the
indemnify the Trustees and its agents on similar terms. The Company's obligation to indemnify such persons may
assets of the Trust. The Board of Directors and the Trustees, in their absolute discretion, are authorized to obtain a
the benefit of such officers, directors, employees, independent contractors, agents and Trustees to the extent perm
necessary or appropriate to cover the Company's obligations hereunder, including seeking an extension in time an
insurance policies currently in effect.

13. *Amendment, Modification or Abandonment of Plan.* If for any reason the Board of Directors determin
in the best interest of the Company, the Board of Directors may, in its sole discretion and without requiring furthe
revoke the Plan of Dissolution and all action contemplated thereunder, to the extent permitted by the DGCL. The
amend or modify the Plan of Dissolution under circumstances that would require additional stockholder approval
federal securities laws without complying with the DGCL and the federal securities laws. Upon the revocation or
Dissolution, the Plan of Dissolution shall be void.

14. *Tax Matters.* It is intended that this Plan of Dissolution shall be a plan of complete liquidation of the
the terms of Sections 331 and 336 of the Code. The Plan of Dissolution shall be deemed to authorize the taking of
opinion of counsel for the Company, may be necessary to conform with the provisions of said Sections 331 and 3
promulgated thereunder. The Company's officers shall be authorized to cause the Company to make such election
deemed appropriate and in the best interest of

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the Company including, without limitation, the making of an election under Code Section 336(e), if applicable. W
the Effective Date, the Company shall file with the Internal Revenue Service an appropriate statement of corporat
Form 966, as required by Section 6043 of the Code, and such additional forms and reports with the Internal Rever
necessary or appropriate in connection with the Plan of Dissolution and the carrying out thereof. The Company sh
any withdrawals related to qualification to do business. The Company shall make arrangements authorizing one o
agents to maintain such Company records as may be appropriate for purposes of any tax audit of the Company oc
dissolution or after liquidation.

15. *Power of Board of Directors and Officers.* The Board of Directors is hereby authorized, without furth
stockholders, to do and perform, or cause the officers of the Company, subject to approval of the Board of Directo
and all acts, and to make, execute, deliver or adopt any and all agreements, resolutions, conveyances, certificates
kind that are deemed necessary, appropriate or desirable, in the absolute discretion of the Board of Directors, to in
Dissolution and the transactions contemplated hereby, including, without limitation, all filings or acts required by
regulation to wind up its affairs.

UNITED STATES

SECURITIES AND EXCHANGE COMMISS

WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SEC EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2008

or

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE EXCHANGE ACT OF 1934**

Commission File Number 001-33282

XTENT, INC.

(Exact name of Registrant as specified in its charter)

Delaware	**41-2047573**
(State of incorporation)	(I.R.S. Employer Identi

125 Constitution Drive
Menlo Park, California 94025-1118
(Address of principal executive offices, including Zip Code)

(650) 475-9400
(Registrant s telephone number, including area code)

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

Title of each class:		**Name of each exchange on w**
Common Stock, par value $0.001		The NASDAQ Stock M

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

None

(Title of Class)

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of t

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file suc subject to such requirements for the past 90 days. Yes x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained
contained, to the best of the Registrant s knowledge, in definitive proxy or information statements incorporated b
Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated fi
company. See definitions of large accelerated filer, accelerated filer, and smaller reporting company in R
Act. (Check one):

Large accelerated filer o	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Sma

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)

The aggregate market value of the voting stock held by non-affiliates of the Registrant, based upon the closing sa
on the last day of its second fiscal quarter of 2008 was $12,804,108. Shares of common stock held by each execut
by each person who owns 5% or more of the outstanding common stock have been excluded in that such persons
This determination of affiliate status is not necessarily a conclusive determination for other purposes.

At March 5, 2009, the Registrant had 23,324,756 shares of Common Stock outstanding.

XTENT, INC.

FISCAL YEAR 2008 FORM 10-K ANNUAL REPORT

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PART 1

This Annual Report on Form 10-K contains forward-looking statements within the meaning of the federal securiti include, but are not limited to, those concerning the following: regarding future events, our future financial perfo product introductions and plans and objectives of management for future operations, regulatory approvals, and c Forward-looking statements are subject to risks and uncertainties that could cause actual results and events to di detailed discussion of these risks and uncertainties, see PART I, ITEM 1A, Risk Factors below in this Form 10 obligation to update forward-looking statements to reflect events or circumstances occurring after the date of this

ITEM 1. BUSINESS

Overview

We are a development stage medical device company focused on developing and commercializing our innovative stent, or DES, systems for the treatment of coronary artery disease, or CAD. Our drug eluting stent systems are de to customize both length and diameter of the stent at the site of the diseased section of the artery, or lesion, which customization. Our stent systems are designed to treat longer lesions than currently available drug eluting stents a with the use of a single device. Our stent systems, the Custom NX 36 and the Custom NX 60, include a modular d as well as a proprietary delivery system. In addition, our stents have a drug coating that is made of Biolimus A9, a and PolyLactic Acid, a biodegradable polymer, which in combination are intended to reduce the incidence of reste previously treated artery over time. We believe our technology, if approved by regulatory authorities, will enable approximately $4 billion worldwide drug eluting stent market.

We are developing our 36mm and 60mm stent systems based on our proprietary technology platform. Our stent d consists of multiple 6mm segments in which the ends of each segment interleave with the ends of the adjacent seg This interdigitated modular stent design allows the physician to customize the stent length and deploy the necessa device is in the artery. Our delivery system incorporates a protective sheath and a proprietary mechanism to contr segments deployed. Our first two stent systems in development are the Custom NX 36 and the Custom NX 60. W systems will enable physicians to provide a therapeutic solution for the majority of CAD patients treated with curr stents. Our Custom NX 36 is customizable in length and designed to treat single or multiple lesions. Our Custom physicians a suitable length stent to treat one long lesion or multiple smaller lesions with the use of one device, re catheter exchanges and related device costs. We believe the ability to customize our stent and potentially treat mu lesions with one catheter may improve procedural efficacy and efficiency and lower costs.

XTENT, Inc. was incorporated under the laws of the state of Delaware on June 13, 2002.

Recent Developments

In January 2009, we notified our employees that we were initiating a headcount reduction that would impact 115 reduction was substantially completed on March 23, 2009, and we expect it to be fully completed by March 31, 2

We also engaged Piper Jaffray & Co. in January 2009 to help us explore potential strategic alternatives, which ma a merger, a sale of substantially all our assets, a financing, or a sale of a portion of our assets, such as our peripher eluting balloon technology or our bioabsorbable stent technology. We cannot provide any assurance that we will complete a suitable strategic transaction. If we are unsuccessful in identifying and completing a strategic transact funding, we may not be able to continue our operations and may need to wind up our business and liquidate our a

If we are successful in identifying and completing a suitable strategic transaction, substantial changes may be mad or they may be completely discontinued. For example, if we are acquired by a third party, that third party may ch any of our current product development initiatives, such as our Custom NX DES systems, our Custom NXP perip customizable drug eluting balloon technology or our bioabsorbable stent technology. In addition, if we sell our C thereafter, we may focus our efforts on the development of our Custom NXP peripheral stent system. Alternately peripheral product and/or other non-core assets, and we receive sufficient funds from that sale, we may continue t of our Custom NX DES Systems.

In connection with the reduction in force and our plans to explore strategic alternatives, we entered into retention
with nine of our employees, including our executive officers. Pursuant to these agreements, we have agreed to m
each of these employees, provided their employment is not terminated for cause prior to the date upon which we c
transaction, or the employee s expected termination date, whichever is earlier. The expected termination dates fo
March 31, 2009 to July 31, 2009.

Status of Regulatory Approval

Our Custom NX DES Systems are combination devices that include a stent and drug coating, for which we must r
as a medical device before we can market the systems. We are conducting clinical trials to evaluate our Custom N
stent and stent delivery systems. In October 2008, the one year data from our CUSTOM III clinical trial, the two y
II clinical trial and the three year data from our CUSTOM I clinical trial were presented at the 2008 Transcatheter
conference in Washington D.C. We believe the data from these clinical trials provided preliminary evidence of sa
support further development of our in situ customization approach.

In March 2009, we received CE Mark for our Custom NX DES Systems authorizing us to market our products in
certain other countries that recognize the CE Mark. Even though we have received CE Mark, we will not be able
product in the European Union unless we obtain additional financing, or we consummate a strategic transaction th
commercialize in Europe. We can provide no assurance that such a financing or strategic transaction will be avail
us, or at all.

We will need premarket approval, or PMA, from the U.S. Food and Drug Administration, or FDA, before we can
United States, which we expect will require data from a large clinical trial of up to 2,100 patients. We expect to o
planned CUSTOM IV clinical trial, but to initiate the CUSTOM IV trial we must first obtain clearance of an inves
or IDE, from the FDA. We filed our IDE application in September 2007, and in October 2007, we received questi
February 2009, we resubmitted our IDE application, and expect to receive a response from the FDA by the end of
Even if we receive IDE approval from the FDA, we will not be able to initiate our IDE trial unless we obtain addi
consummate a strategic transaction that permits us to initiate our IDE trial. We can provide no assurance that suc
transaction will be available on terms agreeable to us, or at all.

We license our drug coating from Biosensors Europe SA, a wholly-owned subsidiary of Biosensors International
Biosensors Europe SA and Biosensors International Group, Ltd. together as Biosensors in this report. Because ou
are combination devices that include a stent and a drug coating, regulatory approvals of our products are depende
a favorable opinion from the FDA on the drug master file, or MAF, it has submitted to the FDA in connection wit
the United States. We believe the FDA considers the MAF that Biosensors submitted in connection with our IDE
for purposes of our IDE, but we expect the FDA to conduct additional assessments of the MAF as part of our PM
guarantee that the MAF Biosensors has submitted to the FDA with respect to our Custom NX DES Systems will b
our PMA.

Market Opportunity

Coronary artery disease, or CAD, is the most common form of cardiovascular disease and the number one cause o
and Europe. CAD is primarily caused by the accumulation of fat-laden cells, also known as plaque, in the arteries
time, the accumulation of plaque in an artery, known as a lesion, narrows the diameter of its lumen, or inner chan
reduce or stop blood flow. A reduction in blood flow to the heart can cause chest pain, a heart attack or potentially
over 650,000 deaths annually in the United States and, according to the American Heart Association, affects over
factors for CAD include old age, smoking, diabetes, obesity, sedentary lifestyle and an individual s genetic histo

Evolution of Treatments for Coronary Artery Disease

A number of surgical procedures and interventional therapies have been developed over the past four decades to t of quickly and safely restoring blood flow. This is accomplished by surgically rerouting the flow of blood around interventional techniques to reopen the artery. The treatment of CAD has experienced significant innovation and l surgical approaches to minimally-invasive catheter-based therapies. This innovation has generally resulted in less complications, as well as reduced costs due to shorter procedure and recovery times. We believe that physicians h new therapies because of these benefits.

Coronary Artery Bypass Graft Surgery. In the 1960s, coronary artery bypass graft surgery, or CAB treatment for CAD. In this procedure, a healthy vein or artery is taken from another site in th patient s chest is surgically opened and the harvested artery is connected to the aorta and to t pathway for the blood flow around the site of the lesion. For many years, CABG has been co care for treating CAD in patients at moderate to high risk of heart attack. However, CABG ca procedure that is generally associated with long recovery times and hospital stays.

Balloon Angioplasty. In the late 1970s, a significant advancement in the treatment of CAD was provided physicians with a minimally-invasive therapy called percutaneous coronary interver initial innovation was balloon angioplasty, in which a physician inserts a flexible catheter wit femoral artery at the groin and maneuvers the catheter through the vascular system into the c site of the lesion, the balloon is inflated, compressing the plaque and stretching the artery wa channel to restore blood flow. We believe this therapy was rapidly adopted by physicians bec shorter hospital and recovery times as compared to CABG. However, while providing advant long-term effectiveness of balloon angioplasty is limited by restenosis. Restenosis occurs due the elastic recoil of the artery wall and the formation of scar tissue within the artery and typic the PCI therapy or CABG. Clinical trials have demonstrated that restenosis occurs in up to 5 angioplasty procedures within six months of treatment.

Bare Metal Stents. The next significant innovation in PCI was the development of stents in the tubular metal devices consisting of interconnected struts that are inserted into the narrowed a hold it open. During a procedure, a stent mounted on a balloon catheter is delivered to the les inflated to expand the stent and is then removed, leaving the stent behind. Bare metal stents l restenosis compared to balloon angioplasty by addressing the elastic recoil of the artery wall the use of balloon angioplasty as the primary interventional therapy for CAD. However, bare address the second cause of restenosis, the formation of scar tissue. Clinical trials have demo occurs in up to 35% of bare metal stent procedures within eight months of treatment.

Drug Eluting Stents. The most recent innovation in PCI was the development of drug eluting st eluting stents were designed to address both causes of restenosis. Currently marketed drug el conventional bare metal stents that are coated with a drug that is designed to reduce the form

the artery. This advance has resulted in a significant reduction in restenosis. As a result, follo
in Europe in 2002 and in the United States in 2003, drug eluting stents brought about a rapid
treatment of CAD and were used in 89% of the stent procedures in the United States in 2005.
were used in approximately 1.5 million of the 2.2 million coronary stent procedures performe
and represented a $4 billion market according to Millennium Research Group. However, in 2
emerged that indicated drug eluting stents were associated with higher rates of late stent thro
lead to heart attacks or death, when compared to patients who received bare metal stents. In r
evaluated this clinical data during a public meeting of its Circulatory System Devices Adviso
December 7 and 8, 2006. As a result of this clinical data, the use of bare metal stents has repo
the use of drug eluting stents has correspondingly decreased, at certain hospitals in the Unite
More recent data from 2007 indicate that in spite of a higher incidence of late stent thrombos
and myocardial infarction for DES are not significantly different than overall rates of death a
infarction for bare metal stents. According to Millennium Research Group, in 2007 drug elut
exclusively in 65% of all stent procedures in the United States and 53% of stent procedures v
the US). The total worldwide market for DES in 2007 was $4.56 billion. Drug eluting stents
expensive than bare metal stents, with average costs in the United States that are approximate
cost of a bare metal stent.

Evolution of Delivery Methods for Percutaneous Coronary Interventions

In addition to the advancements in PCI, the methods of their delivery have also improved over time. These impro
procedures easier to perform and have reduced the amount of time for a single procedure. Similar to the rapid shif
with the introduction of each significant procedure innovation, physicians have quickly adopted these improved d

Over-the-Wire. Over-the-wire delivery systems represented the first significant innovation for
The original fixed-wire balloon angioplasty devices incorporated the use of a wire attached t
a lesion had to be treated more than once or if there were multiple lesions, removal of the ent
and a new device had to be inserted and renavigated to the targeted lesion. The fixed-wire ap
time-consuming and could be technically challenging. In the over-the-wire systems, the guid
the catheter. The guidewire is used to navigate through the patient s vascular system to and
and the catheter slides over the guidewire to the treatment site. The guidewire maintains acce
that multiple therapeutic devices can be delivered quickly and safely. This innovation rapidly
delivery method. Though this is an effective method to safely deliver PCI therapies, every de
an exchange of the catheter and a second operator to hold the guidewire in place, adding time
procedure.

Rapid Exchange. Rapid exchange delivery systems were developed to simplify the exchange o
a much shorter length of guidewire to be used in a procedure, thus allowing a single operator
manage both the catheter and the guidewire. The improved efficiencies from this innovation
rapid exchange delivery systems in the majority of PCI procedures today. According to Mille
Group, 70% of the drug eluting stents used in the United States were delivered with a rapid e
2005. Rapid exchange systems enable quicker changes from one catheter to another, and a th
shown their use results in reduced procedure times and lower radiation exposure from x-ray i
stent placement. Despite improving procedural efficiency compared to over-the-wire systems
systems still require time consuming catheter exchanges when multiple devices are needed fo

Limitations of Current Percutaneous Coronary Intervention Therapies

Although significant advances have been made with drug eluting stents, we believe the designs of current stents a
effectiveness for patients and efficiency of the physicians treating CAD, and can result in increased costs for healt
commercially available stent systems include stents with fixed-lengths of up to 33mm, and require a separate devi
requires physicians to estimate the size and shape of the artery s lumen, and then use their judgment to select the
stent for the lesion. These characteristics of existing technology lead to the following limitations:

- ***Inability to Customize Treatment Options In Situ.*** The effectiveness of drug elutin
physicians to expand their use beyond the treatment of single or discrete lesions to the treatm
multiple lesions. Using currently available technologies, these lesions can require multiple st
procedure complexity, time and cost. According to a Millennium Research Group survey con
over 50% of the patients undergoing a PCI procedure had disease in more than one artery and
approximately 1.7 stents were used per stent procedure in the United States. Because the proc
a fixed amount, we believe the cost of the additional stents is incurred by the hospital.

- ***Multiple Catheter Exchanges.*** Currently available delivery systems require a cathe
additional balloon or stent used. In addition to the catheter exchanges required by the use of

procedure may require insertion and inflation of a balloon both before and after placement of
catheter exchange increases procedure time, cost and exposure to radiation from additional x-

- ***Overlapping of Stents to Cover Long Lesions.*** Treatment of longer lesions with cu
requires placement of multiple overlapping stents. This can result in reduced therapeutic bene
independent clinical trials have shown this practice is associated with an increased incidence
events. We believe that the increase in treatment of longer lesions, combined with the length
stents, has increased the use of this technique, with approximately one in four procedures inv
stents.

- ***Inaccurate Placement of Stents.*** Inaccurate placement of stents, or longitudinal ge
in portions of a lesion remaining exposed, increasing the likelihood of thrombosis and the ne
Longitudinal geographic miss occurs when a stent fails to adequately cover a target lesion be
shorter than the lesion or it is placed in the wrong position, leaving the proximal or distal edg
untreated. We believe that longitudinal geographic miss occurs due in part to the difficulty of
pre-selecting the necessary stent length and diameter. We believe this is caused by the limitat
dimensional x-ray images, as well as changes in the shape of the artery that can occur due to
addition, we believe that physicians may select shorter stents to ensure deliverability and avo
artery side-branches. In Johnson & Johnson s STLLR clinical trial, longitudinal geographic
47.6% of procedures, resulting in higher rates of thrombosis and reinterventions.

- ***Alteration of the Artery Anatomy.*** The shape of an artery can include a number of movement can include a twisting motion with each contraction of the heart. Many current ste stiff along their entire length, in order to hold open diseased arteries, and can cause a change anatomical shape and may inhibit its natural twisting movement. We believe altering the arte limiting its movement may adversely impact the long-term safety of the therapy. An indepen conducted by the Austrian Wiktor Stent Study Group and European Paragon Stent Investigat changes in artery shape which occurred following stent procedures were associated with maj events, or MACE.

- ***Required Physician Planning and Inventories.*** Current drug eluting stent offering cannot be adjusted, but the size and shape of lesions can vary significantly. In order to choos physicians can spend considerable time attempting to estimate the size and characteristics of Additionally, due to the variability of lesions, hospitals must keep a wide variety of stent size in higher inventory management efforts and costs.

We believe that while current stent systems can provide effective therapy for patients, there is significant opportu efficacy, efficiency and cost due to the limitations described above.

The XTENT Solution

Our customizable drug eluting stent systems are designed to enable the treatment of single lesions, long lesions ar lengths and diameters, in one or more arteries with a single device. We believe our Custom NX DES Systems ab without the need to exchange catheters may enable physicians to treat patients more effectively and efficiently. O designed to benefit all major constituents in the healthcare system by providing patients with better therapeutic ou more effective and efficient clinical tool and potentially reducing costs for healthcare providers. We believe that t provided by our technology include the following:

- ***In Situ Customization.*** Our Custom NX DES Systems are designed to allow physi deploy the appropriate length of stent for the patient while inside the artery at the site of the l ability to customize stent length in situ may help ensure coverage of the lesion and reduce the prior to catheter insertion. Additionally, because our stents can be customized, we believe ou configurations, comprised of three different diameters for each of our two lengths, may addre could be treated with approximately 40 of the fixed-length stent configurations offered by ou

- ***Treatment of Multiple Lesions With a Single Device.*** Our stents are comprised of are interdigitated. With the insertion of a single device, the physician can choose to distribute across multiple lesions in a customized manner.

- ***Post-Dilatation with a Single Device.*** Our products may eliminate the need to use a post-dilatation balloon because the balloon in our catheter can be shortened and reused during Post-dilatation can be used to optimize stent expansion and improve stent apposition to the ve that physicians using our products will be more likely to post-dilatate because our product do of a second device in order to post-dilatate. Incomplete stent apposition has been associated i late and very late stent thrombosis.

- ***Treatment of Long Lesions Without Multiple Overlapping Stents.*** Our Custom NX effectively treat longer sections of diseased artery as compared with current fixed-length alte NX 60 can deliver up to 60mm of stent, while currently available drug eluting stents are typic We believe our ability to cover a long lesion with a single stent may reduce the need to use o stents to treat long lesions. Overlapping stents have been associated with complications such wave myocardial infarction, subacute thrombosis, non-focal, delayed endothelialization and g stent fracture.

- ***Sheath protected stent delivery.*** Our Custom NX delivery system is sheath protecte covers the stent segments until deployment protects the drug coating and the arterial wall as t to the targeted lesion. Current delivery systems leave stents exposed, which may cause coatin available stents to be scraped off during insertion.

- ***Improved Stent Placement Accuracy.*** Our Custom NX DES Systems are designed to incrementally increase the length and diameter of the stent deployed while the delivery cat the patient s diseased artery. Prior to stent deployment, the physician can view the x-ray ima coverage of the disease and deploy additional stent segments if desired. During deployment, adjusted by controlling the pressure of the balloon inflation. We believe our products may als use a separate post-deployment balloon because the balloon in our catheter can be shortened procedure. Post-dilatation can be used to optimize stent expansion and improve stent appositi Stent under expansion and incomplete stent apposition have been demonstrated to contribute believe that this post-dilatation capability will enable a single stent deployed by our Custom treat a long lesion in an artery of varying diameters with one device. Current stent technologi cannot be adjusted to address varying diameters with a single device. We believe the ability t customize the length and diameter of the stent while in the patient s artery may reduce the in miss and the resulting problems of thrombosis and reinterventions.

- ***Increased Stent Flexibility and Deliverability.*** Our stents incorporate a modular de multiple small individual segments that are interdigitated, which we believe provides increas believe this flexibility may allow an artery to better maintain its natural shape, as well as mov contractions of the heart, which may improve long-term patient outcomes. Changes in artery procedures have been associated with major adverse cardiac events, or MACE. Our stent s i be particularly well suited for long lesions where the issues of deliverability and anatomical c important. In addition, our stent is delivered to the lesion covered by a lubriciously coated sh device slide along the vessel walls as it is pushed through a patient s vascular system. Curren stents exposed, which can hinder delivery if stents catch on diseased tissue or on the artery w

- ***Biodegradable Polymer as Our Drug Carrier.*** Late stent thrombosis with DES has may be in part due to physiologic reactions to durable polymers. Our drug coating is biodegra thin permanent primer. Our primer has been commonly used for approximately 30 years on c pacemakers and neurostimulators, all of which have been implanted in patients for periods of our stents are intended to be implanted, as well as catheters, needles and other medical device result, we believe our primer has insignificant physiological response when used in the body. biodegradability of the polymer used in our drug coating may reduce the potential for late-ste occurrence of thrombosis 30 or more days after the procedure, that may be associated with du

The risks associated with using our products include the risks common to other drug eluting stents and stent deliv risk of thrombosis. In addition, our products include the risk of movement of stent segments after deployment tha the risk of using a new drug and polymer coating formulation that has not been widely used commercially with an

Our Strategy

If we obtain additional funding or complete a strategic transaction that provides adequate resources, our goal wou
leader in the development and commercialization of drug eluting stent systems. We would plan to achieve this go
business strategies:

- ***Demonstrate the Clinical Safety and Efficacy and Gain Regulatory Approval of C***
Systems. We would intend to demonstrate the clinical safety and efficacy of our Custom NX
carefully structured clinical studies. Data from these studies would be used to support our ID
must be approved before we can initiate the large U.S. pivotal clinical trial to scientifically es
benefits of our systems. We would expect to use this large study to support U.S. approvals. In
obtained CE Mark for our Custom NX DES Systems authorizing us to market our products in
and certain other countries that recognize the CE Mark. Even though we have received

CE Mark, we will not be able to commercialize our product in the European Union unless we obtain additional fi
strategic transaction that permits us to commercialize in Europe. We can provide no assurance that such a financi
will be available on terms agreeable to us, or at all.

- ***Commercialize and Drive Adoption of Our Custom NX DES Systems.*** Following
and provided we obtain additional funding or complete a strategic transaction that provides a
would plan to commercialize our products worldwide. Our strategy would involve initially c
Custom NX DES Systems in key markets in Europe. We would expect to rely on third-party
sales and clinical support, in select markets in Europe, Asia Pacific and the rest of the world.
we would plan to build a direct sales organization that would work closely with interventiona
adoption. We would intend to employ professional education specialists who would provide
for physicians and technicians. In order to meet commercial demand for our products, we wo
the expansion of our manufacturing capabilities as necessary. Even though we received CE
NX DES Systems in March 2009, we will not be able to commercialize our products in the E
we obtain additional financing, or we consummate a strategic transaction that permits us to c
Europe. We can provide no assurance that such a financing or strategic transaction will be av
agreeable to us, or at all. Before we can commercialize our products, we will also need to in
manufacturing capacity and validate our manufacturing processes to demonstrate compliance
standards, which may take six to nine months.

- ***Build Awareness and Support Among Leading Physicians.*** Our clinical developm
to closely collaborate with key opinion leaders in the field of interventional cardiology. We b
opinion leaders can be valuable advocates of our technology and be important in gaining wid
our systems are approved and commercialized. In addition, we would intend to look to these
and publish scientific data that further support the benefits of our customizable stent technol

- ***Leverage Our Technology Platform into Other Indications.*** We believe that our te
in other therapeutic areas outside of CAD. For example, we would intend to pursue the use o
treatment of peripheral artery disease, or PAD.

- ***Expand and Strengthen Our Intellectual Property Position.*** We would plan to co
current intellectual property position. We believe that our current intellectual property positi
effectively market our products for the treatment of CAD. We would plan to originate, licens
intellectual property to enhance our existing position and enable us to more effectively prote

- ***Provide the Highest Quality Products for Our Customers.*** We have focused on pa
quality. We incorporate these principles in every aspect of our organization including produc
manufacturing, quality assurance and clinical research. We would intend to build on this fou
the highest quality products to patients and physician customers.

Our Technology Platform

We have developed a proprietary percutaneous coronary interventional therapy, consisting of drug eluting stents u
length and a stent delivery system. The integration of these components as a complete system is designed to provi
use one device to treat single long lesions or to customize therapy by deploying multiple custom-length stents to r
removing or exchanging catheters.

Our Stent and Drug Coating

Our stent has a proprietary modular design and consists of multiple 6mm stent segments. The segments are not ph
another, but instead the ends of each segment are interdigitated. This allows for separation at each 6mm segment
stent length to be customized during a procedure. Our stent s design allows each segment to flex independently o
believe provides for increased movement between segments during delivery and after implantation. This may allo
to the natural curvature of an artery and accommodate artery movement. In addition, we believe our stents mainta
necessary to hold the artery open across multiple segments.

The stent segments are made of thin cobalt chromium struts designed to provide artery wall coverage. Our stents
customizable lengths of up to 36mm and 60mm, comprised of 6mm segments in 2.5mm and 3.0mm diameter vers
developed a 3.5mm diameter version of our stent that can be expanded up to 4.0mm. Our stents are designed to al
range of lesion lengths and diameters with a single stent.

The drug coating for our stent consists of the combination of Biolimus A9, an anti-inflammatory drug that is a der
PolyLactic Acid coating, or PLA, a biodegradable polymer used to release the drug over time. We license our dru
The chemical structure of Biolimus A9 was designed specifically for localized drug delivery from the surface of a
drug coating on our stents, we first apply a thin permanent primer to our stents, which is designed to improve the
adhere to the stent. We believe this primer has an insignificant physiological response when used in the body. The
biodegradable, dissolving over time and releasing the drug, leaving the bare metal stent with its thin layer of prim
drug eluting process is complete.

Our Delivery System

Our delivery system consists of a catheter with a protective sheath that contains our stent segments and balloon ar
delivery of the catheter and deployment of the stent segments. The protective sheath covers the stent segments un
and is designed to prevent the stent from scraping the artery wall as it is delivered to the targeted lesion. We belie
damage the drug coating or cause the stent to be dislodged during delivery. Our sheath has a slippery coating and
provide lubrication, and is designed with the column strength and flexibility needed to advance the catheter to the

The distal end of the catheter contains a marker for visualization and our proprietary mechanism for separating th
The method of action for separation is mechanical in nature and can be quickly repeated multiple times. Our deliv
attached to the catheter that is used by the physician to control the deployment and separation of our stents. A dial
precise deployment of the necessary length of stent by pulling back the outer sheath. After deployment, if needed,
and reposition the balloon within the stented segment to further expand a portion of the stent against the artery wa
currently offered in any commercially available stent delivery system and is intended to simplify the procedure by
additional balloon for post-deployment stent diameter adjustments. After treatment of a specific lesion, our Custo
designed to be reset and used to treat additional lesions, provided that all stent segments have not been deployed.

Our Procedure

Following the placement of a guidewire, a physician inserts our Custom NX DES System into the femoral or radi
catheter to the site of the target lesion. Opaque markers on the balloon catheter and the sheath allow for visual ass
location relative to the target lesion. The physician then uses the dial on the handle to retract the protective sheath
stent segments is exposed. If the physician determines the lesion coverage is insufficient, the number of segments
before separation occurs. After the physician confirms lesion coverage using x-ray imaging, the handle switch is u
stent segments from those remaining protected in the sheath of the catheter. After separation, the physician inflate
stent. If needed, the physician can shorten, reposition and reinflate the balloon in situ, within the stented segments
of the stent against the artery wall. After the stent segments are deployed and the lesion covered, the physician ca
necessary, and repeat the procedure with any remaining stent segments.

Products Under Development

Our goal is to provide physicians with new and proprietary stent platforms that allow customization of treatment o
CAD. Pursuant to this goal we have initiated several products and projects intended to expand the application of c
the advantages of custom stenting in new applications. As a result of our recent reduction in headcount, we have
work with respect to these projects.

Peripheral Applications. In early 2006, we began developing a product for the peripheral market
materials such as Nitinol, as well as methods for stent deployment and stent length customiza
self-expanding stents. The Custom NX Peripheral, or NXP, stent technology is a modular cu
expanding stent which consists of a series of stent segments. These segments allow the user
of stent for the lesion treated by controlling the number of discrete segments to be deployed i
customizable stent deployment, with the remaining stent segments available inside the cathet
system can be reset and used

to treat additional lesions. In addition to allowing for the treatment of single, multiple, or long lesions with one de
interdigitated Custom NXP stent segments are designed to prevent fracture and accommodate the significant benc
compression forces of the SFA, Custom NXP s initial target opportunity.

Bioabsorbable Stent Technology. Bioabsorbable stents are designed to remain in the treated artery
therapeutically needed, then become fully absorbed by the arterial tissue. Although bioabsorb
potential promise, further research is required in order to demonstrate that bioabsorbable sten
non-inferior safety and efficacy results to current alternatives. Our customizable bioabsorbab
offer significant potential benefits versus fixed length bioabsorbable stents. It consists of a s
stent segments. These segments allow the user to customize the length of stent for the lesion
the number of discrete segments to be deployed *in situ.* After the first customizable stent dep
remaining stent available inside the catheter, the system can be reset and used to treat additio
we have demonstrated the ability to expand small polymer tube stent proxies infused with go
low pressure balloons,

Customizable Drug Eluting Balloon Technology. Our customizable drug eluting balloon technology
potential benefits versus fixed length drug eluting balloons. First, our sheath protected delive
balloon s drug coating as it is delivered to the target lesion. Second, the ability to customize
of the balloon while in the patient s artery may reduce the incidence of geographic miss. Cu
balloons are fixed-length and cannot be adjusted, but the size and shape of lesions can vary s
lesion variability, hospitals must keep a wide variety of balloon sizes in inventory, resulting i
management efforts and costs.

Clinical Development Program

Description of Common Clinical Measures

The safety, efficacy and performance of drug eluting stents are assessed using common metrics. Data collected at
implantation is compared with data collected when a patient is reassessed at follow-up. The time periods for follo
six to nine months in pivotal clinical trials for CE Mark in the European Union, and 30 days and nine months for
application in the United States conducted to support FDA approval of a PMA application. Competitors with drug
being sold in the United States have completed large, prospective, randomized clinical trials that enrolled approxi
patients each. We anticipate that a total of up to approximately 2,100 patients will be necessary to support our FD

Our Clinical Trials

We have completed enrollment in four clinical trials. We are pursuing a clinical development strategy to demonst
technology platform permits the customization of certain parameters of the therapy in situ including length of the

and number of lesions treated. Additionally, we plan to evaluate additional capabilities of our Custom NX DES S
performed by drug eluting stent systems including balloon shortening for partial expansion and post-deployment

The following table summarizes our completed and ongoing clinical trials. The data from the CUSTOM I, II and
included in the application we submitted to our designated Notified Body to obtain the CE Mark that we received
us to market our Custom NX DES Systems in the European Union. Additionally, we have used this information t
to the FDA for the design of our planned U.S. pivotal clinical trial.

Clinical Trial	Number of Patients	Device Characteristics	Description
CUSTOM I	30	• Maximum length: 36mm • Diameter: 3.0mm • Guide catheter: 7 french • Single deployment	First-in-man feasibility study to ev safety and efficacy in patients with coronary lesion treatable with 36m stent
CUSTOM II	100	• Maximum length: 60mm • Diameter: 3.0mm • Guide catheter: 6-7 french • Multiple deployments	Feasibility study to evaluate safety efficacy in patients with long or m coronary lesions
CUSTOM III	90	• Maximum length: 60mm • Diameters: 2.5mm, 3.0mm • Guide catheter: 6 french • Multiple deployments	Feasibility study to evaluate safety efficacy in patients with long or m coronary lesions using a range of s diameters
CUSTOM PK	28	• Maximum length: 60mm • Diameters: 2.5mm, 3.0mm • Guide catheter: 6 french • Single deployment	Pharmacokinetics study assessing concentration of Biolimus A9 drug various time-points post stent implantation
CUSTOM CARE	200	• Maximum length: 60mm • Diameters: 2.5, 3.0, 3.5mm • Guide catheter: 6 french • Multiple deployments	Pre-market registry to confirm dev performance, refine user training a prepare product launch

CUSTOM I. Our CUSTOM I clinical trial was designed to evaluate the preliminary safety and
customization using our proprietary stent technology and drug coating, consisting of a 36mm
coronary artery lesions in 2.6 to 3.1mm diameter arteries. Enrollment of 30 patients was com
three cardiology centers in Europe. Patients were reassessed at 30 days, four months, eight m
and annually for another 4 years.

The clinical trial included a patient population considered high risk for CAD, including those with long lesions an
The mean reference diameter and lesion length were 2.6mm and 17.7mm, respectively. In October 2008, the three
CUSTOM I clinical trial were presented at the 2008 Transcatheter Cardiovascular Therapeutics conference in Wa
total of four MACE events reported 36 months after the treatment procedure. The results from our CUSTOM I cli

predict the outcome of a large-scale clinical trial, which will be required for obtaining FDA approval for our prod

CUSTOM II. Our CUSTOM II clinical trial was designed to evaluate the safety of in situ custo lesions and multiple lesions using our Custom NX 60 DES catheter system. The Custom NX patients with long lesions or lesions in multiple diseased coronary arteries ranging from 2.5 t and up to two lesions. Enrollment of 100 patients was completed in October 2006 at ten cardi Europe. Of the 100 patients enrolled in CUSTOM II, 69 patients were enrolled in the long les consisted of patients with lesions greater than 20mm in length. The remaining 31 patients we two-lesion cohort. Patients were reassessed at 30 days, six months and 12 months. Follow up annually for five years. In October 2008, the two year data from our CUSTOM II clinical tria 2008 Transcatheter Cardiovascular Therapeutics conference in Washington D.C. There were events reported at two years post treatment procedure. The results from our CUSTOM II clin necessarily predict the outcome of a large-scale clinical trial, which will be required for obtai our products in the United States.

CUSTOM III. Our CUSTOM III clinical trial was designed to evaluate in situ customization fo multiple lesions using an enhanced version of our Custom NX DES Systems. The enhanced v number of changes to the handle improving ease-of-use for physicians. The primary endpoint with secondary endpoints. Enrollment in the CUSTOM III trial began in September 2006 and August 2007. In October 2008, the one year data from our CUSTOM III clinical trial were pr Transcatheter Cardiovascular Therapeutics conference in Washington D.C. There were a tota reported at one year post treatment procedure. The results from our CUSTOM II clinical trial predict the outcome of a large-scale clinical trial, which will be required for obtaining FDA a products in the United States.

CUSTOM Pk. Our CUSTOM Pk clinical trial was designed as a pharmacokinetic study to eval concentration of Biolimus A9 at different time points following treatment of coronary lesions DES Systems. The study was initiated in December 2007 in Europe, and a total of 28 patients study. Patients were assessed at 28 days, six months and 12 months following initial treatmer yearly thereafter, for a total duration of 5 years. The results from our CUSTOM Pk clinical tr characterize the properties of the drug coating formulation applied to our stents and to suppor In October 2008, the six months data from our CUSTOM Pk clinical trial were presented at t Cardiovascular Therapeutics conference in Washington D.C. No MACE events were reporte procedure.

CUSTOM CARE. Our CUSTOM CARE clinical trial was designed to confirm the Custom NX performance characteristics while preparing for the European market launch of the products. to enroll 200 patients at multiple sites across Europe. The final version of the device used in final product changes and represented the product configurations that we intend to market. T the study was safety with secondary endpoints. The study was initiated in December 2008 bu light of our decision to seek strategic alternatives.

The table below provides a summary of the cumulative long term safety results to date for our CUSTOM I, CUST clinical trials. This information demonstrates the overall safety profile of the Custom NX DES Systems for their from our CUSTOM I, II and III clinical trials do not necessarily predict the outcome of a large-scale clinical trial, obtaining FDA approval for our products in the United States.

CUSTOM I, II and III Summary of Clinical Trial Results

Clinical Outcomes	**CI + CII + CIII N = 220 6M**	**CI + CII + CIII N = 220 12M**	**C N**
Cardiac Death [n]	1	1	
MI [n]	8	8	
Q-Wave	2	2	
Non Q-Wave	6	6	
TLR [n]	10	13	
Total MACE [%]	8.6%	10%	
Early Stent Thrombosis (30 days or less)	2	2	
Late Stent Thrombosis (more than 30 days)	0	0	

Entities associated with our principal clinical investigator for our CUSTOM I and CUSTOM II clinical trials hold shares of our common stock at a weighted-average exercise price of $0.40 per share.

Required Clinical Trials

In order to obtain reimbursement in selected European countries and FDA approval in the United States, we will
pivotal studies similar to those conducted by competitors who have marketed drug eluting stents. We anticipate th
approximately 2,100 patients will be necessary to support FDA approval. The clinical trial design and sample size
the safety and efficacy data from our CUSTOM I, II and III clinical trials. We currently anticipate these clinical tr
of our stent in a randomized, controlled manner against one of the marketed drug eluting stents in patients with C
measures will be the endpoints commonly used in drug eluting stent clinical trials. We expect that safety will be
rates or target lesion revascularization while efficacy endpoints will include late loss of lumen diameter, binary re
volume obstruction.

Two of the currently marketed drug eluting stents, Johnson & Johnson s Cypher and Boston Scientific s Taxus
similar evaluations in order to obtain market approvals. However, the Cypher and Taxus Express2 stents were eva
respective bare metal versions. The SIRIUS and TAXUS IV clinical trials enrolled 1,058 and 1,314 patients, resp
Endeavor, has undergone evaluation where it was compared to the Cypher or Taxus drug eluting stents. The END
enrolled 436 and 1,548 patients respectively. Abbott Laboratories Xience V stent obtained market approval on
SPIRIT II and SPIRIT III trials enrolling an aggregate of 1,362 patients. The SPIRIT III trial enrolled 1,002 patie
to the Taxus stent.

CUSTOM IV. Using data generated by our CUSTOM I, II and III clinical trials, we submitted the FDA in September 2007. In October 2007, we received questions back from the FDA. In resubmitted our IDE application, and expect to receive a response from the FDA by the end o 2009. We will not be able to initiate our CUSTOM IV trial until we receive IDE approval, a IDE approval, we will not be able to initiate our IDE trial unless we obtain additional financi a strategic transaction that permits us to initiate our IDE trial. Our planned U.S. pivotal clini will enroll approximately 2,100 patients and will evaluate our Custom NX DES Systems aga eluting stent for the treatment of CAD. We expect that similar measures as those used in othe eluting stent IDE clinical trials will be evaluated in our CUSTOM IV clinical trial. We antici application to the FDA approximately 24 months after the initiation of the CUSTOM IV trial

CUSTOM V. Our CUSTOM V pivotal clinical trial will be designed to generate additional dat claims that could be used to support market approvals or to seek reimbursement in selected E believe this clinical trial will be a prospective, controlled trial that will include up to approxi patients.

Regulatory Filing Process

The regulatory filing process for our drug eluting stents is a dual filing process in which our filings include the cli information related to our devices, which we submit to the regulatory authorities and the drug master file, or MAF which Biosensors generates and submits to the regulatory authorities on our behalf. In Europe, our Notified Body device and drug and provided the drug related information to a European drug regulatory authority, in our case th Board, or MEB, in the Netherlands for its assessment. The MAF that Biosensors filed on our behalf had to obtain MEB, and the entire application for the combination device had to be approved by the Notified Body in order for approval, which we received in March 2009. In the United States, Biosensors has also submitted a MAF to the FD us to obtain IDE approval. As a result of this dual filing process, we rely on Biosensors to timely file acceptable M applicable regulatory authorities, and to respond to any questions or comments the authorities may have concerni already received CE Mark, and we believe the MAF which Biosensors has submitted to the FDA for purposes of sufficient to support an IDE approval, but we expect the FDA to conduct additional assessments of the MAF as pa they may have additional questions at that time.

Post-Approval Registries

At the time of our product launches in Europe and in the United States we expect to undertake post-approval surv document the performance of our Custom NX DES Systems on an ongoing basis. We expect that these studies wi population sample sizes, and will focus on identifying and monitoring occurrences of adverse events. The estimat registry to be undertaken upon European launch is approximately 1,000 patients.

Our Relationship with Biosensors

In May 2004, we entered into a license agreement with Biosensors and in December 2007, we entered into an ame agreement with Biosensors which superseded the original license agreement.

Pursuant to the agreement, we received a worldwide, non-exclusive, license to use Biosensors drug coating, with Biosensors based on net sales of our products. The field of use for this license is limited to coronary and peripher stent segments on a catheter where the physician has the ability to select the number of segments to be deployed. further limited to treating long lesions, multiple vessels or small vessels in coronary and peripheral applications.

The agreement also gives us the right to purchase the drug and polymer components of our stent coating separatel sole purpose of mixing the drug/polymer formulation and coating our stents for use and sale within our licensed f of the agreement, we also have the right to use certain technology owned by Biosensors to mix the drug coating, t our stents and to perform certain necessary testing of the drug coating, each within our licensed field of use. Biose provide support services except for testing that is required by the relevant regulatory agencies to develop the drug Biosensors on our behalf for regulatory approvals in the United States, Europe and Japan.

The drug coating consists of Biolimus A9, an anti-inflammatory drug that is a derivative of rapamycin, and PolyL biodegradable polymer. Biolimus A9 has a chemical structure designed specifically for localized drug delivery fr to inhibit restenosis. We are contractually restricted from obtaining Biolimus A9 from any other source or comme incorporate rapamycin or its derivatives other than Biolimus A9. The license expires or is terminable upon, amon

- eight years from the date our first stent system obtains approval from a regulatory b three-year extension unless notice of termination is given by either Biosensors or us;

- one year after the date the regulatory packages for the drug and polymer submitted behalf are approved by the MEB, if we fail to obtain a CE Mark for our stent systems before

- upon our failure to pay the minimum annual royalties required by the license.

In addition to paying royalties to Biosensors for the license, we also purchase the drug and polymer components e Our agreement with Biosensors prohibits us from making, using or selling a stent coated with rapamycin or a deri than Biolimus A9. We are obligated to assign to Biosensors any inventions for which our employees are inventor are either (i) derived from Biosensors confidential information or, (ii) related to the process for applying their dr developed prior to the effective date of the restated agreement or if co-invented with Biosensors. Biosensors must that are determined to be improvements to our stent or stent systems which are derived from our confidential info

Biolimus A9 is manufactured by a Japanese pharmaceutical company and then shipped to Biosensors to be mixed proprietary drug coating. Biosensors ships the drug coating or the components of the coating to us and we apply i assembly and sterilization. Biosensors will perform stability testing of the drug and polymer and any other testing agency questions about the MAF as required for approval of our DES systems in the United States, Japan, and Eu Biosensors allows us to perform all other testing of the drug coating required for regulatory approvals and for lot commercialization.

Manufacturing

We currently occupy a facility of approximately 50,000 square feet in Menlo Park, California, under a lease whic Under the terms of our lease agreement for these facilities, our landlord may terminate our lease at any time on or obtained certain redevelopment rights with respect to the leased premises, and we may terminate the lease at anyt for any reason. All of our manufacturing operations take place at this facility.

Final assembly, drug coating, and packaging of all of our products take place inside a controlled environment roo square feet that satisfies the requirements of a Class 10,000 level clean room. We have no experience manufacturi our products. We believe our manufacturing facilities, processes and quality systems currently meet all regulatory manufacture of devices for use in clinical trials and that with further refinements will meet all requirements for pr

distribution.

Our components are purchased from outside suppliers who provide both off the shelf materials as well as custom components are provided by single source suppliers due to quality considerations, costs or regulatory requirement supply our drug coating or the components thereof and no alternative source is available. Biosensors currently rel manufacture and supply Biolimus A9, which must meet strictly enforced GMP regulations in its manufacture of E obtain regulatory approval. We do not have the right to manufacture Biolimus A9 or the PLA coating on our own the lubricious coating that we apply to the sheath. We do not believe that we could replace these single source sup effort and delay in production, especially after our products are commercialized because additional FDA approval products and components come from single suppliers, but we believe alternate suppliers will be readily available, have not yet qualified alternate suppliers. We do not carry a significant inventory of most components used in our suppliers have no contractual obligations to supply us with, and we are not contractually obligated to purchase fro components used in our products. Any supply interruption from our suppliers or failure to obtain alternate supplie limit our ability to manufacture our products, which could delay completion of our clinical trials or commercializ

Sterilization services for our products are performed by a third-party supplier. Currently, we apply the drug coatin Park facility, as well as final assembly, inspection and warehousing of our products. We do not have any experien commercial quantities of our products.

Our Menlo Park facility was inspected by the California Food and Drug Branch in May 2005 and was issued a de In June 2008, our manufacturing facility was audited for the purpose of assessing the quality system to ISO 1348 Device Directive, or MDD 93/42/EC, requirements, and our registration was recertified. We expect to be audited quarter of 2009, but we do not believe that we have adequate personnel to pass the audit. We will not be able to c until we successfully pass the audit. The facility has been registered with the FDA since September 2004. A separ manufacturing facility and quality system will occur as part of the premarket approval, or PMA, process for our p additional manufacturing space, we will need to be inspected by the FDA and if we move to another location, the ISO recertified and recertified by the California Food and Drug Branch.

Competition

The coronary stent industry is highly competitive. Many of our competitors have significantly greater financial re and expertise in research and development, manufacturing, pre-clinical testing, conducting clinical trials, obtainin marketing approved products than we do. Many of these competitors also have more established reputations with developed worldwide distribution channels. These competitors include Abbott Laboratories, Boston Scientific, C Medtronic. Smaller or early-stage companies may also prove to be significant competitors, particularly through c with large and established companies. These companies compete with us in recruiting and retaining qualified scie personnel, establishing clinical trial sites and patient registration for clinical trials, as well as in acquiring technol complementary to our programs or advantageous to our business. As a result, we cannot assure you that we will b against these competitors or their products.

Although the field of interventional cardiology is extremely competitive with high performance requirements for cardiologists have historically been rapid adopters of new technology. While physicians may recommend alternat therapy, CABG, angioplasty or bare metal stenting, we expect the primary competition for our products will be ot

Because of the size of the CAD market, competitors have historically dedicated and will continue to dedicate sign aggressively promote their products. New product developments that could compete with us more effectively are treatment market is characterized by extensive research efforts and technological progress. Competitors may deve products that are safer, more effective, easier to use or less expensive than our Custom NX DES Systems.

There are a number of companies developing or marketing treatments for coronary restenosis that are directly con technology. In particular, Boston Scientific has developed a paclitaxel eluting stent, the Taxus Express2 stent, wh States, Europe and other international markets. The Taxus Liberte, its next generation Taxus stent, is marketed in and other international markets. Medtronic received FDA approval for its zotarolimus eluting stent, Endeavor, in immediately began marketing the product. Johnson & Johnson has developed a stent coated with rapamycin, the C marketed in the United States, Europe and other international markets. Abbott Laboratories Everolimus eluting s approval in July 2008 and is marketed in the United States, Europe and other international markets. The Taxus E Liberte stent, the Cypher stent, the Abbott Xience V stent and the Endeavor stent are currently the only FDA appr the United States. Conor Medsystems, which was acquired by Johnson & Johnson in January 2007, also develope CoStar. In 2006, Conor received CE Mark for the CoStar stent in Europe and other international markets and bega

distribution partners. Conor also completed the COSTAR II randomized controlled trial in the United States comp
Taxus Express-2. Costar failed to meet its primary endpoint in COSTAR II and Johnson & Johnson has since dec
outside the United States and redesigned the product with a drug coating based on sirolimus rather than paclitaxel

Outside the United States, there are a number of additional stents that have marketing approval. In January 2008, received CE Mark for their Biolimus A9-eluting stents. Biosensors markets its BioMatrix stent through a direct sa Terumo primarily uses distributors to market its NOBORI stent internationally. Biosensors also markets a paclitax Europe and other international markets. Sorin Group has developed a tacrolimus eluting stent, Janus, which is ma to its Endeavor stent, Medtronic has another zotarolimus eluting stent named Endeavor CR (Resolute) which has has a different polymer than the one used on the Endeavor stent. Additionally, many of the companies referenced competitors are in the process of developing new drug eluting stents. Competitors with stents used in PAD applic Laboratories, C.R. Bard, Boston Scientific, Cook Group, Edwards Lifesciences, ev3, Johnson & Johnson, Medtro Associates.

Research and Development

Since inception, we have devoted a significant amount of resources to develop our Custom NX DES Systems. Ou expenses were $31.2 million in 2008, $30.9 million in 2007 and $18.9 million in 2006. If we are able to obtain ad a strategic transaction that provides adequate resources, we expect our research and development expenditures to devote significant resources to developing our products, in particular, completing the clinical trials necessary to su

Sales and Marketing

We have no experience in the sale, marketing and distribution of stent systems. To achieve commercial success fo must develop a sales and marketing organization or enter into arrangements with others to market and sell our pro

If we are able to obtain additional funding or complete a strategic transaction that provides adequate resources, we our Custom NX DES Systems in certain key markets in both Europe and Asia Pacific. We expect to rely on third- sales and clinical support, in select markets in Europe, all of Asia Pacific and the rest of the world. Following FD market our products in the United States through a direct sales force. We plan to market our products to physician procedures in hospitals and to other personnel who make purchasing decisions on behalf of hospitals. In order for Custom NX DES Systems, we must show strong clinical evidence that our products are safe and effective. In addi product is easy to use and cost-effective. Because our products are based on a new technology, we will provide fo support. We would need to include within the sales organization clinical specialists who are skilled in training car products.

Intellectual Property

We believe that our competitive position will depend substantially upon our ability to obtain and enforce intellect our technology. We file for patents expeditiously upon discovery of new patentable technologies and utilize other property protection to strategically protect our proprietary technology. We maintain vigilance for third-party pater attempt to acquire rights to them when such intellectual property is strategically valuable to us.

As of December 31, 2008, we had 19 issued U.S. patents, 62 pending U.S. patent applications, one pending Israel pending international patent applications filed pursuant to the Patent Cooperation Treaty, or PCT, 27 of which ha in Europe, Japan, Canada, and Australia. All of our issued U.S. patents except two will expire between 2021 and U.S. patents, which cover technologies that we at present are not pursuing commercially, expire in 2014 and 2016 we have one U.S. patent under exclusive license covering methods of performing angioplasty on multiple lesions expires in 2012. As of December 31, 2008, one of our pending U.S. patent applications had been allowed by the U Office, or USPTO. We are prosecuting or intend to prosecute our PCT patent applications in the national phase in Australia. Our pending U.S. and international patent applications, if issued, will expire between 2021 and 2027.

Six of our issued U.S. patents cover certain aspects of our Custom NX DES Systems, including the deployment o balloon catheter with a separation mechanism on the catheter to separate a stent to be deployed from an adjacent s mechanism on the catheter that allows application of a radially-outward force along a selected length of stent whi remains unexpanded; a stop member on the balloon catheter for stopping a stent at a selected position for deployn balloon catheter for separating stents from each other; and a garage member attached to the sheath of the balloon balloon expansion. Our pending U.S. patent applications, if issued with their present claims, will cover various ot NX DES Systems, including

customization of stent length through selected deployment of stent segments, manipulation of stent segments with deployed stents from the undeployed stents and the interdigitation of the stent segments. Other pending patent app issued with their present claims, will cover various other drug eluting stent technologies including detachable link self-expanding stents and delivery systems for PAD treatment applications, durable and bioabsorbable polymer st treatment, stent coating technologies for creating topographical features such as drug reservoirs on the stent surfac drugs, and bifurcation stents and delivery systems.

We have entered into a license agreement with Biosensors for non-exclusive rights to use its drug coating on our s with Biosensors. Under this agreement we have a non-exclusive license to certain issued patents owned by Biose and stent coatings containing Biolimus A9 and certain polymers.

We have also entered into a license agreement with SurModics giving us non-exclusive rights in certain of its pate to allow us to coat our catheter s sheath with SurModics lubricious coating. This agreement terminates upon the patent licensed to us under the agreement, or earlier if we fail to begin bona-fide commercial sales by July 1, 2009 consecutive quarters during which we fail to pay a royalty to SurModics.

We do not know if any of our patent applications will be issued, nor do we know whether our patents, if issued, w will be able to be successfully enforced. Even if valid and enforceable, our patents may not be sufficiently broad t inventing a stent like ours, despite our patent rights. We have received no communications from third parties conc validity or enforceability of our patents or patent applications.

The industry we operate in has been subject to a large number of patent filings and patent infringement litigation. commercialization, infringe any patent claim will not be known with certainty unless and until a court interprets th of litigation. If an infringement allegation is made against us, we may seek to invalidate the asserted patent claim non-infringement of the asserted patent claim. In order for us to invalidate a U.S. patent claim, we would need to validity afforded to issued patents in the United States with clear and convincing evidence of invalidity, which is date none of our patents or patent applications have been subject to reexamination, interference, or other legal cha

We require all employees to sign confidentiality and invention assignment agreements under which they are boun made during the term of their employment unless excluded pursuant to California Labor Code Section 2870. Thes our employees from using, disclosing, or bringing onto the premises any proprietary information belonging to a th of our consultants are required to sign agreements under which they must assign to us any inventions that relate to agreements also prohibit our consultants from incorporating into any inventions the proprietary rights of third par is our policy to require all employees to document potential inventions and other intellectual property in laborator inventions to patent counsel using invention disclosure forms.

We also rely on confidentiality restrictions and trade secret protection to protect our technology. We generally req other parties who may be exposed to our proprietary technology to sign non-disclosure agreements which prohibi or using our proprietary information except as may be authorized by us.

XTENT is a registered trademark of our company in the United States, the European Union, Japan and Australia. XTENT trademark is pending in Canada. CUSTOM NX is a registered trademark of our company in the United S European Union and Japan. An application for our CUSTOM NX trademark is pending in Canada. Our NX trade European Union. We have also applied to register NX as a trademark in the United States.

Third-Party Patent Rights

Cardiovascular stents and stent delivery systems are the subjects of numerous patents, and patent litigation has be We are aware of a number of patents and patent applications held by potential competitors and others that contain considered relevant to our technology. Each of these patents contains multiple claims any or all of which could be technology. The owners of these patents may allege that our activities infringe their patent rights. We may be sue elsewhere for patent infringement. Defending such infringement suits is costly and may be distracting to our emp prevailed in such a suit, we could be enjoined from making, using or selling our products and required to pay subs

A number of third-party patents are summarized below that others may allege cover our technology. Although we
the patents that we believe present a material risk of litigation due to their subject matter or claims, this list may n
the large numbers of patents in the stent field, we may not be aware of all patents that may be alleged to cover our
may be pending patent applications relevant to our technology that remain unpublished or of which we are otherw

Cordis, a subsidiary of Johnson & Johnson, is the owner of a number of patents and patent applications directed to
rapamycin and its analogs for the treatment of restenosis as well as stents incorporating such materials. These incl
Morris family of patents, the Wright family of patents and the Falotico family of patents.

Boston Scientific holds rights to the Grainger family of patents directed to methods of inhibiting smooth muscl
using certain compounds and to the Kunz family of patents directed to methods for maintaining vessel luminal
cytostatic, or cell division inhibiting, agent.

Various patents owned by third parties are directed to stent structures and materials. These patents include a group
owned by Guidant Corporation, a subsidiary of Boston Scientific whose stent technology has been acquired by Al
certain rights retained by Boston Scientific, which are directed to flexible stent structures. The Boneau family
are directed to stents comprising multiple closed-loop elements.

The Fariabi family of patents, owned by Guidant, are directed to stents comprising cobalt-chromium alloys. Th
of patents, owned by Medinol, are directed to stents with meandering strut patterns. A patent owned by Wall is di
collapsible mesh sleeve.

Other third-party patents are directed to stent delivery catheter technology. There are a number of patents that wer
Corporation directed to rapid exchange catheters for angioplasty and stent delivery. These include, without limita
Horzewski families of patents, directed to rapid exchange angioplasty catheters, and the Lau family of paten
catheters. Boston Scientific owns other patents directed to rapid exchange angioplasty catheters, including, the E
Medtronic owns certain patents directed to guidewire handling technology in stent delivery catheters, including ce
Crittenden and Kramer. A patent issued to Fischell is directed to a sheathed stent delivery catheter. Guidant Corpo
issued to Cox, directed to a stent delivery catheter having an adjustable-length balloon. Certain patents owned by
subsidiaries are also directed to stent delivery catheters having adjustable-length balloons.

Certain patents owned by third parties relate to methods for coating stents. The Hossainy family of patents that
Corporation are directed to methods of coating stents with a primer layer and a reservoir layer.

Third Party Reimbursement

In most countries throughout the world, a significant portion of a patient s medical expenses is covered by third-p
countries including the United States, third-party payors consist of both government funded insurance programs a
programs. While each payor develops and maintains its own coverage and reimbursement policies, the vast major

established policies for drug eluting stents. We believe that our products generally will fall within the existing rei
although some refinement in policies may be indicated for our products. Before reimbursement may be obtained f
Systems in the United States, FDA approval will be required.

In the United States, the Centers for Medicare and Medicaid Services, or CMS, is the government entity responsib
Medicare program. CMS establishes Medicare coverage and reimbursement policies for medical products and pro
are periodically reviewed and updated. While private payors vary in their coverage and payment policies, the Mec
benchmark. Both CMS and commercial payors have established coverage and reimbursement policies for drug elu
market. There also are established reimbursement codes describing current products and procedures using those e
no assurances that existing policies or reimbursement codes would be used for the systems we are currently devel
assurances that existing payment rates for such reimbursement codes will continue to be at the same levels. For ex

under regulatory changes to the methodology for calculating payments for current inpatient procedures for certain payment rates for surgical and cardiac procedures have been decreased, including approximately 10% to 14% red using drug eluting stents. The reductions are being transitioned over a three year period that began in fiscal year 2 implemented revised reimbursement codes that better reflect the severity of the patient s condition in the hospital payment system.

Outside of the United States, there are many reimbursement programs through private payors as well as governme countries, government reimbursement is the predominant program available to patients and hospitals. While the n existing reimbursement for drug eluting stents, a number of countries may require us to gather additional clinical coverage and reimbursement for our products. It is our intent to complete the requisite clinical studies and obtain approval in countries where it makes economic sense to do so.

In addition, in the United States, governmental and private sector payors have instituted initiatives to limit the gro using, for example, price regulation or controls and competitive pricing programs. Some third-party payors also re coverage for new or innovative devices or therapies before they will reimburse healthcare providers who use such Providers also have sought ways to manage costs, such as through the use of group purchasing organizations. It is benefits provided by our Custom NX DES Systems to physicians and hospitals through shorter procedure times a costs will be viewed by providers and third-party payors as cost-effective. However, there remains uncertainty wh viewed as sufficiently cost-effective to warrant adequate coverage and reimbursement levels.

Government Regulation

United States

Our products are combination products because they are comprised of two or more regulated components, a drug physically combined and produced as a single product. In the United States, a combination product is assigned by Agency s Centers, such as the Center for Drug Evaluation and Research, or CDER, or the Center for Devices and CDRH. The Center to which the product is assigned will have primary jurisdiction over the premarketing review combination product. The FDA identifies the Center with primary authority over a combination product based on combination product s primary mode of action. Because the primary mode of action for our products is that of regulated as devices by the FDA under the Federal Food, Drug, and Cosmetic Act, and CDRH will have primary application. We believe that the drug component of our products will be reviewed by CDER, which will consult w review of our PMA applications. The drug will not require separate FDA approval.

FDA regulations govern the following activities that we and our suppliers, licensors and partners perform and wil ensure that products we distribute domestically or export internationally are safe and effective for their intended u

- product design and development;

- product testing;
- product manufacturing;
- product safety;
- product labeling;
- product storage;
- recordkeeping;
- premarket approval;

- advertising and promotion; and

- product sales and distribution.

FDA s Premarket Clearance and Approval Requirements. The FDA classifies medical devices into o
Devices deemed by the FDA to pose the greatest risk, such as life-sustaining, life-supporting
or devices deemed not substantially equivalent to a previously cleared 510(k) device, are plac
requiring premarket approval. All of our current products are class III devices and will requir
submission and review of a PMA application. PMA must be supported by extensive data, inc
to, technical, pre-clinical, clinical trials, manufacturing and labeling to demonstrate to the FD
safety and efficacy of the device. The PMA must also contain a full description of the device
a full description of the methods, facilities and controls used for manufacturing.

Product Modifications. New PMAs or PMA supplements are required for all significant modific
manufacturing process, labeling, use and design of a device that is approved through the PMA
supplements often require submission of the same type of information as an initial applicatio
the supplement is limited to information needed to support any changes from the device cove
PMA application, and may not require as extensive clinical data or the convening of an advis

Clinical Trials. A clinical trial is almost always required to support a PMA application. Clinica
candidates require the submission of an application for an investigational device exemption,
The IDE application must be supported by appropriate data, such as animal and laboratory te
that it is safe to test the device in humans and that the testing protocol is scientifically sound.
includes the MAF for the drug coating aspects of our products that Biosensors submits to the
We filed our IDE application in September 2007, and in October 2007, we received question
In February 2009, we resubmitted our IDE application, and expect to receive a response from
the first quarter of 2009. We will not be able to initiate our CUSTOM IV trial until we receiv
even if we receive IDE approval, we will not be able to initiate our IDE trial unless we obtain
or we consummate a strategic transaction that permits us to initiate our IDE trial. The IDE r
advance by the FDA for a specified number of patients. Clinical trials may begin once the ap
and cleared by the FDA and the appropriate institutional review boards at the clinical trial sit
subject to extensive recordkeeping and reporting requirements. Our clinical trials must be co
oversight of an institutional review board at the relevant clinical trial site and in accordance w
regulations and policies including, but not limited to, the FDA s good clinical practice, or G
FDA or the institutional review board at each site at which a clinical trial is being performed
trial at any time for various reasons, including a belief that the risks to clinical trial subjects c
benefits.

Pervasive and Continuing Regulation. After a device is placed on the market, numerous regulatory
These include:

- Good Manufacturing Practices regulations, or GMP, and Quality System regulation
manufacturers, including third-party manufacturers, to follow stringent design, testing, contro
other quality assurance procedures during all aspects of the manufacturing process;

- labeling regulations and FDA prohibitions against the promotion of products for un
uses;

- medical device reporting regulations, which require that manufacturers report to the
may have caused or contributed to a death or serious injury or malfunctioned in a way that w
contribute to a death or serious injury if the malfunction were to recur; and

- post-market surveillance regulations, which apply when necessary to protect the pul
additional safety and efficacy data for the device.

The FDA has broad post-market and regulatory enforcement powers. We are subject to unannounced inspections
and Drug Branch of the California Department of Health Services, or CDHS, to determine our compliance with th
and these inspections may include the manufacturing facilities of our subcontractors. The supplier and manufactu
coating used by us will be subject to inspections by the FDA and other regulatory authorities to determine their co
enforced GMP regulations.

In addition, discovery of previously unknown problems with a medical device, manufacturer, or facility may resu
marketing or manufacturing of an approved device, including costly recalls or withdrawal of the device from the
Scientific and Johnson & Johnson have experienced safety and manufacturing problems with their drug eluting st
conducted significant and costly recalls in response to these issues. Failure to comply with applicable regulatory r
enforcement action by the FDA, which may include any of the following sanctions:

- fines, injunctions, consent decrees and civil penalties;

- recall or seizure of our products;

- operating restrictions, partial suspension or total shutdown of production;
- refusing our requests for premarket approval or new intended uses;
- withdrawing premarket approvals that are already granted; and
- criminal prosecution.

The FDA also has the authority to require us to repair, replace or refund the cost of any medical device that we ha distributed. If any of these events were to occur, they could have a material adverse effect on our business.

We are also subject to a wide range of federal, state and local laws and regulations, including those related to the safety, and land use.

Fraud and Abuse. Our operations will be directly, or indirectly through our customers, subject federal fraud and abuse laws, including, without limitation, the federal Anti-Kickback Statute These laws may impact, among other things, our proposed sales and marketing programs.

The federal Anti-Kickback Statute prohibits persons from knowingly and willfully soliciting, offering, receiving directly or indirectly, in exchange for or to induce either the referral of an individual, or the furnishing or arrangin which payment may be made under a federal healthcare program such as the Medicare and Medicaid programs. S interpreted the statute s intent requirement to mean that if any one purpose of an arrangement involving remuner federal healthcare covered business, the statute has been violated. The Anti-Kickback Statute is broad and prohibi practices that are lawful in businesses outside of the healthcare industry. Recognizing that the Anti-Kickback Stat technically prohibit many innocuous or beneficial arrangements, Congress authorized the Department of Health a of Inspector General, or OIG, to issue a series of regulations, known as the safe harbors. These safe harbors set applicable requirements are met, will assure healthcare providers and other parties that they will not be prosecuted Statute. The failure of a transaction or arrangement to fit precisely within one or more safe harbors does not neces or that prosecution will be pursued. However, conduct and business arrangements that do not fully satisfy each ap result in increased scrutiny by government enforcement authorities such as the OIG. Penalties for violations of the Statute include criminal penalties and civil sanctions such as fines, imprisonment and possible exclusion from Me federal healthcare programs. Many states have also adopted laws similar to the federal Anti-Kickback Statute, son referral of patients for healthcare items or services reimbursed by any source, not only the Medicare and Medicaid

The federal False Claims Act prohibits persons from knowingly filing or causing to be filed a false claim to, or the statements to obtain payment from, the federal government. Suits filed under the False Claims Act, known as qu by any individual on behalf of the government and such individuals, sometimes known as relators or, more com share in any amounts paid by the entity to the government in fines or settlement. The frequency of filing of qui tam significantly in recent years, causing greater numbers of healthcare companies to have to defend a False Claim ac determined to have violated the federal False Claims Act, it may be required to pay up to three times the actual da government, plus civil penalties of between $5,500 to $11,000 for each separate false claim. Various states have a

after the federal False Claims Act.

In addition to the laws described above, the Health Insurance Portability and Accountability Act of 1996 created t
healthcare fraud and false statements relating to healthcare matters. The healthcare fraud statute prohibits knowin
scheme to defraud any healthcare benefit program, including private payors. A violation of this statute is a felony
imprisonment or exclusion from government sponsored programs. The false statements statute prohibits knowing
concealing or covering up a material fact or making any materially false, fictitious or fraudulent statement in conn
or payment for healthcare benefits, items or services. A violation of this statute is a felony and may result in fines

If our operations are found to be in violation of any of the laws described above or other applicable state and fede
may be subject to penalties, including civil and criminal penalties, damages, fines, exclusion from government he
curtailment or restructuring of our operations.

International

International sales of medical devices are subject to foreign governmental regulations, which vary substantially fr
time required to obtain clearance or approval by a foreign country may be longer or shorter than that required for
and the requirements may be different.

The primary regulatory environment in Europe is that of the European Union, which consists of twenty five count
the major countries in Europe. Three member states of the European Free Trade Association, Norway and Lichten
adopted laws and regulations that mirror those of the European Union with respect to medical devices. Other coun
have entered into Mutual Recognition Agreements and allow the marketing of medical devices that meet E.U. req
Union has adopted numerous directives and the European Committees for Standardization, or CEN, have promulg
regulating the design, manufacture, clinical trials, labeling and adverse event reporting for medical devices. Devic
requirements of a relevant directive will be entitled to bear CE conformity marking, indicating that the device con
requirements of the applicable directive and, accordingly, can be commercially distributed throughout the membe
Union, the member states of the European Free Trade Association and countries which have entered into a Mutua
The method of assessing conformity varies depending on the type and class of the product, but normally involves
self-assessment by the manufacturer and a third-party assessment by a designated Notified Body, an independent
appointed in one of the countries in the European Union to conduct the conformity assessment. This assessment is
designated Notified Body in one member state of the European Union, the European Free Trade Association or on
into a Mutual Recognition Agreement and is required for most of the medical devices in order for a manufacturer
commercially distribute the product throughout these countries. This assessment may also consist of an audit of th
system and specific testing of the manufacturer s device so as to ensure compliance with ISO 13485 certification
harmonized standards. Compliance with these ISO certifications establishes that some of the general requirements
presumed to be fulfilled. See Manufacturing.

Employees

As of December 31, 2008, we had 127 employees, with three employees in sales and marketing, 66 employees in
employees in research and development, 13 employees in general and administrative and 21 employees in clinical
assurance. In January 2009, we announced an initiative to reduce our headcount by 115 positions to be completed

Available Information

We are subject to the reporting requirements under the Securities Exchange Act of 1934. Consequently, we are re
information with the Securities and Exchange Commission, or SEC, including reports on the following forms: an
quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished
15(d) of the Securities Exchange Act of 1934. These reports and other information concerning the company may
SEC s website at *http://www.sec.gov*.

You may also find on our website at *http://www.xtentinc.com/* electronic copies of our annual report on Form 10-
Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section
Securities Exchange Act of 1934. Such filings are placed on our website as soon as reasonably possible after they
charters for our Audit, Compensation and Nominating and Corporate Governance Committees and our Code of E
our website. In the event that we grant a waiver under our Code of Ethics, to any of our officers or directors, we w

ITEM 1A. RISK FACTORS

Risks Related to Our Business

We are exploring strategic alternatives such as a potential merger or a sale of some or all of our assets, and headcount significantly. If we are not successful in completing a strategic transaction or securing adequate wind up and liquidate our business.

We have engaged Piper Jaffray & Co. to help us explore potential strategic alternatives such as a sale of some or a transaction. There can be no assurance that we will be able to complete such a transaction on terms acceptable to successful in obtaining CE Mark or an investigational device exemption, or IDE, approval for our Custom NX ste sufficient cash to commercialize our product in Europe or to initiate our IDE trial. If we are unsuccessful in ident strategic transaction or securing adequate funding, we may not be able to continue our operations and may need to liquidate our assets.

In January 2009, we notified our employees that we would reduce our headcount by eliminating 115 of 122 positi 2009. The significant reduction in headcount may make it less likely that we will be able to complete a strategic tr parties who might otherwise consider a strategic transaction may be unwilling to do so if they are not able to retai

Even if we are successful in completing a strategic transaction, the nature of such a transaction may requir cease our current operations.

Among other strategic alternatives, we are considering the sale of individual assets, such as our Custom NXP peri bioabsorbable stent technology, our customizable drug eluting balloon technology and our principal product, the C system. To date, our activities have primarily focused on the development of the Custom NX systems. If we sell will need to refocus our efforts and dedicate significant resources to the development of one or more of our non-c no assurance that we will be able to successfully develop, market and commercialize any or all of such products. transaction, we sell one of our non-core products, we may not receive sufficient consideration to fund the Europea Custom NX system or the initiation of our IDE trial.

Even if we obtain additional funding or complete a strategic transaction that provides ade may be a year or more before we are able to commercialize our product in Europe.

We have significantly reduced our headcount and limited our business activities. Before we could resume the ope commercialize our product, we would need to rehire a significant number of employees or hire and train new emp jobs according to our specifications. There can be no assurance that we will be able to rehire our former employe new employees in a timely manner, or at all. In addition, before we can commercialize our product in Europe, we manufacturing capacity and validate our manufacturing process to demonstrate compliance with applicable qualit

would likely take six to nine months to complete. Further, under the terms of the agreements we have with severa
required to provide regular forecasts of the components we plan to purchase from them during a particular period.
obligated to supply us only with the number of components that we previously forecasted. Therefore, once manu
commence, it may take several months before we have adequate supplies of critical components required to make

**We need substantial additional funding and may be unable to raise capital in adequate amounts, or at all, v
delay, reduce or eliminate our product development programs or commercialization efforts.**

Due to the ongoing credit crisis and general deterioration of the capital markets we have been unable to date to se
We have engaged Piper Jaffray & Co. to help us explore strategic alternatives, including raising additional capital
assurance that any strategic alternative will result in adequate, or any, capital being made available to us. We need
additional capital to:

- fund our operations and clinical trials;
- continue our research and development;
- scale-up our manufacturing operations;
- defend, in litigation or otherwise, any claims that we infringe third-party patent or other inte
- commercialize our products, if any such products receive regulatory approval for commerci
- acquire or in-license companies, products or intellectual property.

After our reduction in headcount, we believe our existing cash and cash equivalent balances and interest we earn
sufficient to meet our cash requirements for the next 12 months, although our business activities will be limited u
financing is obtained, if at all. Our future funding requirements will depend on many factors, including:

- the nature and timing of any strategic transaction we may complete, if any;
- the scope, rate of progress and cost of our clinical trials and other research and developmen
- the cost of filing and prosecuting patent applications and defending and enforcing our paten
property rights;

• the cost of defending, in litigation or otherwise, any claims that we infringe third-party pate
property rights;

• the terms and timing of any collaborative, licensing and other arrangements that we may es

• the cost and timing of regulatory approvals;

• the cost and timing of establishing sales, marketing and distribution capabilities;

• the cost of establishing clinical and commercial supplies of our products and any products t

• the effect of competing technological and market developments;

• licensing technologies for future development; and

• the extent to which we acquire or invest in businesses, products and technologies, although
commitments or agreements relating to any of these types of transactions.

If we raise additional funds by issuing equity securities, our stockholders may experience dilution. Debt financin
restrictive covenants. Any debt financing or additional equity that we raise may contain terms that are not favora
or may not be available at all. To raise capital, we may decide to sell unregistered stock at a discount to market w
warrants. The sale of securities at a discount or the issuance of warrants may result in additional dilution to our ex
connection with this type of financing, we would likely be obligated to register such shares for resale at a later da
funds through collaboration and licensing arrangements with third parties, it may be necessary to relinquish some
our products, or grant licenses on terms that are not favorable to us. If we are unable to raise adequate funds, we n
all of our assets or delay, reduce the scope of or eliminate some or all of our development programs.

We require additional capital beyond our current cash balance. For example, we will need to raise additional fund
our products. Any such required additional capital may not be available on reasonable terms, if at all. We estimate
approximately $45.0 million to complete our CUSTOM IV and V clinical trials. In addition, we would need to sp
regulatory approvals and for activities to commercialize our Custom NX DES Systems, if approved. The develop
of our custom length stent technology and new products will also require the expenditure of significant financial r
years to complete.

If adequate funds are not available, we may have to delay development or commercialization of our products or li
rights to commercialize products or technologies that we would otherwise seek to commercialize. We also may ha
customer support or other resources devoted to our products. Any of these factors could harm our financial condit

We are a development stage company with a history of losses, and we expect to incur net losses for the fore

We have incurred net losses since our inception in June 2002. For the years ended December 31, 2008, 2007, and
$41.1 million, $38.8 million and $25.0 million, respectively. As of December 31, 2008, we had an accumulated d
date, we have financed our operations primarily through private placements of our equity securities and our Initia
on February 1, 2007, and have devoted substantially all of our resources to research and development and clinical
Custom NX DES Systems, which consist of the Custom NX 36 and the Custom NX 60. Since we have only recei
we do not have approval from the Food and Drug Administration, or FDA, or any other regulatory authority for o
authorized to market our current products in the European Union and certain other countries that recognize CE M
generated any revenues since our inception. We expect our research and development expenses to increase signifi
clinical trials and other product development activities. If we obtain additional funding or complete a strategic tra
adequate resources, we expect to incur significant sales and marketing expenses and manufacturing expenses as w
products. As a result, we expect to continue to incur significant and increasing operating losses for the foreseeable
continue to have an adverse effect on our stockholders equity.

**We are wholly dependent on a third party for the development of the drug coating placed on our drug eluti
failure by such third party to successfully develop the drug coating or to submit acceptable Drug Master Fi
authorities could delay commercialization of our Custom NX DES Systems in the United States.**

In May 2004, we entered into a license agreement with Biosensors. In December 2007, we entered into an amend
agreement with Biosensors which superseded the prior agreement. Pursuant to the agreement, we obtained non-ex
Biosensors drug coating on our stent platform. The drug coating consists of Biolimus A9®, an anti-inflamma
derivative of rapamycin, and PolyLactic Acid, or PLA, a biodegradable polymer used to relea
In January 2008, Biosensors announced that it had received CE Mark approval for its BioMa
which uses the Biolimus A9 and PLA drug coating. The drug coating has not been approved
United States or any jurisdiction other than the European Union. In March 2009, we received
our Custom NX DES Systems authorizing us to market our Custom NX DES Systems in the
certain other countries that recognize CE Mark.

In order to obtain IDE approval from the FDA allowing us to initiate our CUSTOM IV clinical trial in the United
the premarket approval, or PMA, allowing us to commercialize our Custom NX DES Systems in the United State

submit acceptable MAFs related to our drug coating to the FDA on our behalf. We believe the MAF which Biose
FDA for purposes of our IDE application is sufficient to support an IDE approval, but we expect the FDA to cond
the MAF as part of our PMA review, and they may have additional questions at that time. Any delays Biosen
problems it has in responding to questions the FDA may have concerning the MAF may subs
commercial launch of our product in the United States.

We currently do not have, and may never have, any products available for sale and our efforts to obtain pr commercialize our products may not succeed or may result in delays for many reasons.

We are a development stage medical device company with a limited history of operations and we currently do not for sale or other sources of revenue. Our ability to generate revenue depends entirely upon the successful clinical approval and commercialization of our Custom NX DES Systems. Our products under development and any othe will require extensive additional clinical testing, regulatory approval and significant marketing efforts before they any revenue. Our efforts to commercialize our products may not succeed for a number of reasons including:

• our products may not demonstrate safety and efficacy in our clinical trials;

• we are wholly dependent on the efforts undertaken by the supplier of the drug coating for o significantly impacted by any regulatory delays or barriers that our supplier may encounter in adequate or acceptable MAF for the drug coating to the regulatory authorities on our behalf;

• we may not be able to obtain regulatory approvals for our products, or the approved indicat may be narrower than we seek;

• we may experience delays in our development program, including initiation and completion

• any products that are approved may not be accepted in the marketplace by physicians and p

• physicians may not receive adequate coverage and reimbursement for procedures using our

• any rapid technological change may make our technology and products obsolete;

• we may not be able to manufacture our Custom NX DES Systems in commercial quantities cost;

• we may not have adequate financial or other resources to complete the development and co Custom NX DES Systems; and

• we may be sued for infringement of intellectual property rights and could be enjoined from selling our products.

We cannot market our products in the United States until we receive PMA. If we are not successful in the initiatio trials for the development, approval and commercialization of our Custom NX DES Systems for the treatment of CAD, we may never generate any revenue and may be forced to cease operations.

We have not received, and may never receive, FDA or other regulatory approvals to market our Custom N

Our Custom NX DES Systems are combination products, incorporating both a drug element and a medical device will be regulated as a Class III medical device in the United States. Information regarding the drug coating for ou the FDA s Center for Drug Evaluation and Research, or CDER, based on the MAF submitted by Biosensors on c be reviewed by the FDA s Center for Devices and Radiological Health, or CDRH, with the overall product subje medical device. We believe that no separate approval for the drug independent of the device is required.

We do not currently have the necessary regulatory approvals to market our Custom NX DES Systems or any othe States or in any foreign markets, other than the European Union and certain other countries that recognize CE Ma regulatory approvals and provided we obtain additional funding or complete a strategic transaction that provides a initially to launch our products in the European Union and later in the United States.

The regulatory approval process in the United States for our products involves, among other things, successfully r
the FDA to conduct clinical trials under an IDE, completing pre-clinical and clinical trials, and applying for and o
FDA. The PMA process requires us to demonstrate the safety and efficacy of our products to the FDA s satisfact
and uncertain and requires detailed and comprehensive scientific and human clinical data. While the FDA review
to three years after filing the PMA application, our PMA application review could take much longer and may nev
PMA. The FDA could delay, limit or deny approval of our PMA application for many reasons, including:

• our stent systems may not be safe or effective or may not otherwise meet the FDA s requir

• the data from our pre-clinical studies and clinical trials may be insufficient to support appro

• the manufacturing process or facilities we or our suppliers use may not meet stringent regul

• the information provided by the supplier of the drug coating in the MAF it submits to the F
be inadequate; and

• changes in FDA approval policies or adoption of new regulations may require us to provide

We will also have to obtain similar, and in some cases more stringent, foreign regulatory approval in order to com
outside of the United States. Even if approved, our Custom NX DES Systems may not be approved for the indicat
desirable for successful commercialization. We may not obtain the necessary regulatory approvals to market our p
or in foreign markets other than the European Union and certain other countries that recognize CE Mark. Any del
maintain approval for our products could prevent us from generating revenue or achieving profitability.

**Preliminary third-party data has raised concerns that drug eluting stents may cause an increase in late-sten
to these concerns, regulatory authorities in the United States and Europe have issued statements and develo
for the approval of drug eluting stents. As a result of these enhanced guidelines we may experience further
regulatory clearances for our products and, even if approved, the preliminary third-party data concerning
significantly impair market acceptance of our products.**

On September 14, 2006, the FDA issued a *Statement on Coronary Drug-Eluting Stents*, which discusses clinical d
March 2006 American College of Cardiology Scientific Sessions in Atlanta, Georgia and at the September 2006 E
Cardiology Annual Meeting/World Congress of Cardiology Meeting in Barcelona, Spain. This data suggested a si
in the rate of death and myocardial infarction, or heart attack, potentially due to late-stent thrombosis, in patients t
stents at 18 months to three years after stent implantation. The FDA stated that, while these studies have raised im
the safety and efficacy of drug eluting stents, it is not possible to fully characterize the mechanisms, risks and inci
thrombosis following implantation of drug eluting stents based on currently available data. The FDA has not issue
regarding the safety of drug eluting stents. Although more recent studies have suggested that the safety of drug elu

that of bare metal stents, the FDA and the European regulatory agencies have issued new guidelines for the appro which require additional clinical data and may prolong the process for obtaining regulatory approval.

In March 2007, the European Medicines Agency proposed new guidelines for the approval of drug eluting stents. are more rigorous than the previous standards, were finalized in May 2008 and became effective in December 200

In March 2008, the FDA published draft guidance regarding non-clinical and clinical studies for drug eluting sten includes recommendations regarding the following areas:

- Engineering testing,
- Biocompatibility testing,
- Animal studies,
- Chemistry and manufacturing controls,

- Clinical pharmacology and drug release,
- Drug pharmacology, toxicology and safety data,
- Clinical studies, and
- Post approval studies.

In April 2008, the FDA also conducted a public workshop on the draft guidance documents and provided clarifica Although the draft guidelines are currently considered non-binding recommendations, they have been published f expected that the FDA will conduct any application review for new drug eluting stent catheter systems following highlighted in the guidance.

Complying with the new and more rigorous standards in the United States and Europe may require us to obtain ac
further studies. This may delay regulatory approval of our products. In addition, if in the future, new studies rais
safety of drug eluting stents, the DES market in general may shrink and market acceptance of our products may b

**If Biosensors fails to supply us with sufficient quantities of our drug coating, development and commerciali
DES Systems may be prevented or delayed as a result.**

We obtain our entire supply of the drug coating, PLA and BA9 for our stents from Biosensors and we are unawar
for this drug coating. Under the amended and restated license agreement which we entered into with Biosensors i
the right to purchase the components of the drug coating, which are the drug and the PLA, from Biosensors in ord
formulation ourselves. We have completed the work necessary to perform the formulation ourselves, but we will
formulated drug coating from Biosensors until we obtain certain regulatory approvals necessary in order to perfor
commercial use outside the United States. We do not have the right to use alternate suppliers for this drug coating
Biosensors, or the components of the drug coating which we plan to purchase from them in the future. In addition
the drug coating or components and we are contractually restricted from obtaining Biolimus A9 from any other so
in-licensed an alternative drug for use in the event we are unable to obtain a sufficient supply of Biolimus A9. Cu
a sole-source, Nippon Kayaku, a third-party Japanese pharmaceutical company, to manufacture and supply them
Biosensors mixes with the PLA. We have no relationship with, control over, or contact with this pharmaceutical c
directly with it to obtain Biolimus A9 if we are unable to obtain Biolimus A9 from Biosensors. In addition, the ph
subject to significant legal and regulatory requirements with regard to the production of Biolimus A9, including o
Manufacturing Practices regulations, or GMP, which are strictly enforced by the FDA, and the Ministry of Health
Japan and any failure on the part of the pharmaceutical company to comply with these requirements may interrup
Biolimus A9 and ultimately, our supply of the drug coating. Biosensors has also entered into, and may continue to
supply the drug coating to other licensees. Our clinical trials and the development and commercialization of our C
could be prevented or delayed if:

• the supplier of our drug coating is unable or refuses to meet our demand;

• our license agreement with Biosensors terminates for any reason, including insolvency; or

• the supplier of our drug coating does not meet regulatory quality requirements and other spe
regulatory approvals need to be obtained.

To date, our drug coating requirements have been limited to small quantities that we need to conduct our develop
clinical trials. If we obtain market approval for our products, and we are able to launch our product commercially
substantially larger quantities of the drug coating or the components of the drug coating. Biosensors may not prov
quantities of the drug coating or components and such supply may not meet our quality requirements or other spe
have, in the past, experienced interruptions in the supply of adequate quantities of acceptable drug coating. In the
adequate supplies of acceptable drug coating or components, we will likely be unable to locate an alternative supp
in a timely manner or on commercially reasonable terms, if at all. Any additional new source for Biolimus A9, the
will

require the consent of Biosensors and prior FDA approval, which will require significant time and effort to obtain assurance that we will obtain such regulatory approval. The inability to obtain sufficient quantities of the drug coa delay in obtaining such supply could delay our clinical trials or affect the commercialization of our Custom NX D have a significant adverse affect on our future operations.

We rely on third parties to test the drug coating for our stents, and these third parties may use test method their own. If we must obtain a license to use these methods or develop new testing methods, we may experie initiate clinical trials or to obtain regulatory approvals for our products as a result.

Certain tests related to the drug coating on our stents must be performed before the stents can be used in clinical t commercial sale. We have agreed with Biosensors that we will be responsible for performing some of these tests. technology or methods to perform all this testing in-house, and plan to rely on third parties to conduct some of the certain third parties who we believe have the capability to conduct this testing using methods that do not violate th others. We can provide no assurance, however, that these testing methods will not violate such rights. If others ass methods, we may need to obtain a license giving us the right to use the testing methods or identify or develop othe the required testing. We cannot assure you that a license will be available to us or that it will be available on term we are unable to obtain a license, we cannot assure you that we will be able to identify or develop alternate testing needs without delaying our regulatory submissions or approvals. This may result in a delay in the release of, or an stents for use in U.S. clinical trials or commercial products and our ability to generate revenue would be adversely

We do not have long-term data regarding the safety and efficacy of our Custom NX DES Systems. Any long generated may not be consistent with our limited short-term data, which could affect the regulatory approv rate at which our products are adopted.

An important factor in our clinical trials, upon which the safety and efficacy of our Custom NX DES Systems ma restenosis, or the renarrowing of the treated artery over time, and the rate of reintervention, or retreatment followi Custom NX DES Systems. We believe that physicians and regulators will compare the rates of long-term restenos Custom NX DES Systems against other drug eluting or bare metal stent procedures and other alternative procedur

If, in our large-scale comparative pivotal clinical trial, we fail to demonstrate restenosis and reintervention rates, a end-points and performance, comparable to other drug eluting and bare metal stents that have been approved by th successfully market our Custom NX DES Systems may be significantly limited. If the long-term rates of restenos meet regulators or physicians expectations, our Custom NX DES Systems may not receive regulatory approval become widely adopted and physicians may recommend that patients receive alternative drug eluting stents, such Taxus ® Express2 stent, the Taxus Liberte stent, the Endeavor ® stent, the Xience™ V stent the six drug eluting stents currently marketed in the United States. Another important factor u and efficacy of our Custom NX DES Systems will be measured is the incidence of late-stent procedures using our drug eluting stents. Some clinical data suggests a small but significant i death and heart attack associated with drug eluting stents when compared to bare metal stents late-stent thrombosis. The FDA convened a public meeting of its Circulatory System Devices December 7 and 8, 2006 with the intention of obtaining additional information on the risks, t rates of late-stent thrombosis. In March 2008, the FDA published draft guidance regarding no studies for drug eluting stents See Preliminary third-party data has raised concerns that drug an increase in late-stent thrombosis. We cannot assure you that our long-term data, once ob

than that suggested in the recent studies regarding late-stent thrombosis.

Additionally, other efficacy factors may influence a physician s decision over what stents to deploy. Our Custom segments may separate excessively at the time of deployment in the artery or over time. Any such separation may between the segments or other adverse events. If the results obtained from our clinical trials indicate that our prod effective as other treatment options or as current short-term data would suggest, our products may not be approve may suffer and our business would be harmed.

If our pre-clinical studies or clinical trials do not meet safety or efficacy endpoints, or if we experience sign these studies or trials, our ability to commercialize our Custom NX DES Systems or other products and ou impaired.

Before marketing and selling our Custom NX DES Systems or any other products, we must successfully complete clinical trials that demonstrate that our products are safe and effective. We currently have a very limited amount o safety and efficacy of our Custom NX DES Systems, and no published data beyond three years. The results from clinical experience for our Custom NX DES Systems do not necessarily predict long-term clinical benefit and ma subsequent clinical trials. Furthermore, all of our existing data has been produced in studies that involve relatively the data may not be reproduced in wider patient populations. We need to conduct additional large-scale clinical tr products are safe and effective and to support our applications for regulatory approval in the United States. We ex these additional clinical studies will be a comparative study comparing the safety and efficacy of our stents to the stent, the Cypher stent, the Taxus Express2 stent, the Taxus Liberte stent or the Endeavor ® stent, the six drug marketed in the United States, or to other stents that may become approved for marketing in that these studies will involve large patient populations of approximately 2,100 patients impl

The commencement or completion of any of our clinical trials may be delayed or halted for numerous reasons, inc the following:

• insufficient personnel and financial resources to conduct and fund our clinical trials;

• in connection with our PMA application, Biosensors fails to respond in a timely manner, if the FDA may have concerning a MAF Biosensors submits to the FDA on our behalf;

• the FDA or other regulatory authorities do not approve our clinical trial protocols or our cli or place a clinical trial on hold;

• patients do not enroll in clinical trials at the rate we expect;

• third-party clinical investigators do not conduct follow-up visits with patients or patients dr trial at rates we do not expect;

• patients experience adverse events, which may or may not be related to our products;

• patients die during a clinical trial for a variety of reasons, including the advanced stage of th problems, which may or may not be related to our products;

• third-party clinical investigators do not perform our clinical trials on our anticipated schedu clinical trial protocol, good clinical practices or other regulatory requirements, or other third- not perform data collection and analysis in a timely or accurate manner;

• regulatory inspections of our clinical trials or manufacturing facilities, which may, among o to undertake corrective action or suspend or terminate our clinical trials if investigators find u in compliance with regulatory requirements;

• changes in governmental regulations or administrative actions;

• the interim results of our clinical trials are inconclusive or negative; or

• our clinical trial designs, although approved, are inadequate to demonstrate safety and/or ef

Before we can commence our planned pivotal clinical trial in the United States for our Custom NX DES Systems approval of our IDE application. We filed our IDE application in September 2007, and in October 2007, we recei FDA. In February 2009, we resubmitted our IDE application, and expect to receive a response from the FDA by t 2009. Even if we receive IDE approval from the FDA, we will not be able to initiate our IDE t additional funding or complete a strategic transaction that provides adequate resources. We c such a financing or strategic transaction will be available on terms agreeable to us, or at all.

Product development, including pre-clinical studies and clinical testing, is a long, expensive and uncertain proces
may take us several years to complete our testing, if we complete it at all, and a clinical trial may fail at any stage
from any clinical trial may be inadequate to support a PMA application or any foreign regulatory applications. Ac
clinical data can also be interpreted in different ways, which could delay, limit or prevent regulatory approval for

**Clinical trials necessary to support a PMA application will be expensive and will require the enrollment of
and suitable patients may be difficult to identify and recruit.**

Clinical trials necessary to support a PMA application for our Custom NX DES Systems will be expensive and wi
large numbers of patients, and suitable patients may be difficult to identify and recruit. The clinical trials supporti
the Cypher stent, the Taxus Express2 stent and the Endeavor stent, which are approved by the FDA and currently
populations of approximately 1,000, 1,300 and 1,100 respectively. We expect that we will need to provide the FD
approximately 2,100 patients implanted with our device, with 12-month follow-up to support our PMA applicatio
to submit data on a greater number of patients or a longer follow-up period. For example, at an FDA workshop he
recommended 18 month follow-up on at least 50% of patients. Patient enrollment in clinical trials and completion
on many factors, including the size of the patient population, the nature of the trial protocol, the proximity of patie
eligibility criteria for the clinical trial and patient compliance. For example, patients may be discouraged from enr
the trial protocol requires them to undergo extensive post-treatment procedures or follow-up to assess the safety a
or they may be persuaded to participate in contemporaneous clinical trials of competitive products. In addition, pa
clinical trials may die before completion of the trial or suffer adverse medical events unrelated to our products. De
failure of patients to continue to participate in a clinical trial may cause an increase in costs and delays or result in
trial.

**Physicians may not widely adopt our Custom NX DES Systems unless they determine, based on experience
and published peer reviewed journal articles, that the use of our Custom NX DES System provides a safe a
other existing treatments for coronary artery disease, and meets other physician expectations.**

Physicians tend to be slow to change their medical treatment practices because of perceived liability risks arising
and the uncertainty of third-party coverages and reimbursement. We believe that physicians will not widely adopt
Systems unless they determine, based on experience, long-term clinical data and published peer reviewed journal
Custom NX DES Systems provides a safe and effective alternative to other existing treatments for coronary artery
artery bypass grafting, or CABG, balloon angioplasty, bare metal stents and other drug eluting stents, such as Joh
stent and Boston Scientific s Taxus Express2 stent. In particular, the use of bare metal stents has reportedly increa
eluting stents has reportedly decreased, at certain hospitals in the United States and elsewhere as a result of recent
higher incidence rate of late stent thrombosis. We cannot predict the effect that this or other data questioning the s
will have on the drug eluting stent market.

We cannot provide any assurance that the data collected from our current and planned clinical trials will be suffic
Custom NX DES Systems are an attractive alternative to other drug eluting stent procedures. If we fail to demons
is at least comparable to other drug eluting or bare metal stents that have received regulatory approval and that are
ability to successfully market our Custom NX DES Systems will be significantly limited. Even if the data collecte
clinical experience indicate positive results, each physician s actual experience with our Custom NX DES Systen
conducted with our Custom NX DES Systems have involved procedures performed by physicians who are technic
high-volume users of drug eluting stents. Consequently, both short- and long-term results reported in these clinica
more favorable than typical results of practicing physicians, which could negatively impact rates of adoption of ou
safety and efficacy, we believe that product characteristics such as ease of use and consistency of performance are

able to meet physician expectations with respect to these characteristics, market acceptance and adoption of our p
We also believe that published peer-reviewed journal articles and recommendations and support by influential ph
Custom NX DES Systems will be important for market acceptance and adoption, and we cannot assure you that w
recommendations and support, or that supportive articles will be published.

Problems with the stent to be used in the control group during our U.S. pivotal clinical trial could adversely

We expect our pivotal clinical trial in the United States to compare the performance, including safety and efficacy of a currently marketed drug eluting stent, or a drug eluting stent that becomes approved for marketing in the near clinical trial could be significantly delayed or harmed if the stent we use for the control group experiences problem six currently marketed drug eluting stents, the Xience V stent, the Promus stent, the Cypher stent, the Taxus Expr stent or the Endeavor stent, or a drug eluting stent that becomes approved for marketing in the near future, as the pivotal clinical trial. In July 2004, Boston Scientific announced the recall of approximately 85,000 Taxus stent sy 11,000 Express2 stent systems due to characteristics in the delivery catheters that had the potential to impede ball balloon angioplasty procedure. In August 2004, Boston Scientific announced that it would recall an additional 3,0 during the enrollment and treatment period for our planned pivotal clinical trial, there is a recall of the control ste removed from the market, our trial would likely be substantially delayed. The FDA could also require us to redesi an alternative control stent. Any significant delay or redesign could impair our ability to commercialize our Custo

Our products are based on a new technology, and we have only limited experience in regulatory affairs, wh or the time required to obtain necessary regulatory approvals, if at all.

Drug eluting stents were introduced in the United States in 2003. To date, the FDA has approved only the Taxus the Cypher, the Endeavor, the Xience V and the Promus drug eluting stents for commercial sale. Because drug elu and long-term success measures have not been completely validated, regulatory agencies, including the FDA, ma time in evaluating product approval applications for those types of products. Treatments may exhibit a favorable an unfavorable measure using another metric. Any change in the accepted metrics may result in reconfiguration o trials. Furthermore, the result of recent studies suggesting a correlation between drug eluting stents and incidents further delay and complicate the regulatory pathway for our products. Additionally, we have limited experience in applications necessary to gain regulatory approvals, and we have limited personnel and resources to dedicate to th these applications. As a result, we may experience a long regulatory process in connection with obtaining regulato products.

If the third parties on which we rely to conduct our clinical trials and to assist us with pre-clinical developm contractually required or expected, we may not be able to obtain regulatory approval for or commercialize

We do not have the ability to independently conduct clinical trials for our products, and we must rely on third par organizations, medical institutions, clinical investigators and contract laboratories to conduct our clinical trials. In parties to assist with the pre-clinical development of our products. If these third parties do not successfully carry o regulatory obligations or meet expected deadlines, if these third parties need to be replaced, or if the quality or ac is compromised due to the failure to adhere to our clinical protocols or regulatory requirements or for other reason development activities or clinical trials may be extended, delayed, suspended or terminated, and we may not be ab approval for or successfully commercialize our products on a timely basis, if at all. Furthermore, our third-party c be delayed in conducting our clinical trials for reasons outside of their control.

Even if our products are approved by regulatory authorities, if we or our suppliers fail to comply with ongo requirements, or if we experience unanticipated problems with our products, these products could be subje withdrawal from the market.

Any product for which we obtain marketing approval, along with the manufacturing processes, post-approval clin
activities for such product, will be subject to continual review and periodic inspections by the FDA and other regu
we and our suppliers are required to comply with the Quality System Regulation, or QSR, for the manufacture of
Systems and GMP for the manufacture of our drug coating and other regulations, which cover the methods and do
testing, production, control, quality assurance, labeling, packaging, storage and shipping of any product for which
approval. The FDA enforces the GMP and QSR through unannounced inspections. We and our third-party manuf
not yet been inspected by the FDA and will have to successfully complete such inspections before we receive reg
products. Failure by us or one of our suppliers, including the supplier of our drug coating, to comply with statutes

regulations administered by the FDA and other regulatory bodies, or failure to take adequate response to any obse
among other things, any of the following enforcement actions:

- warning letters or untitled letters;
- fines and civil penalties;
- unanticipated expenditures;
- delays in approving, or refusal to approve, our products;
- withdrawal or suspension of approval by the FDA or other regulatory bodies;
- product recall or seizure;
- orders for physician notification or device repair, replacement or refund;
- interruption of production;
- operating restrictions;
- injunctions; and
- criminal prosecution.

If any of these actions were to occur it would harm our reputation and cause our product sales and profitability to
component suppliers may not currently be or may not continue to be in compliance with applicable regulatory req

Even if regulatory approval of a product is granted, the approval may be subject to limitations on the indicated us be marketed. If the FDA determines that our promotional materials, training or other activities constitute promotio could request that we cease or modify our training or promotional materials or subject us to regulatory enforceme that other federal, state or foreign enforcement authorities might take action if they consider our training or other constitute promotion of an unapproved use, which could result in significant fines or penalties under other statuto prohibiting false claims for reimbursement.

Moreover, any modification to a device that has received FDA approval that could significantly affect its safety o constitute a major change in its intended use, design or manufacture, requires a new approval from the FDA. If th determination by us that new approval is not required, we may be required to cease marketing or to recall the mod approval. In addition, we could also be subject to significant regulatory fines or penalties.

In addition, we may be required to conduct costly post-market testing and surveillance to monitor the safety or eff we will be required to report adverse events and malfunctions related to our products. Later discovery of previous our products, including unanticipated adverse events or adverse events of unanticipated severity or frequency, ma failure to comply with regulatory requirements such as QSR or GMP, may result in restrictions on such products withdrawal of the products from the market, voluntary or mandatory recalls, fines, suspension of regulatory appro injunctions or the imposition of civil or criminal penalties. For example, Boston Scientific has initiated significan due to manufacturing and other quality issues associated with the products.

Further, healthcare laws and regulations may change significantly in the future. Any new healthcare laws or regul our business. A review of our business by courts or regulatory authorities may result in a determination that could operations. Also, the healthcare regulatory environment may change in a way that restricts our operations.

Failure to obtain regulatory approval in foreign jurisdictions will prevent us from marketing our products

Subject to the availability of sufficient resources, we intend to market our products in international markets. Altho Mark authorizing us to market our Custom NX DES Systems in the European Union and certain other countries t order to market our products in many other foreign jurisdictions, we must obtain separate regulatory approvals, ar additional clinical trials. The approval procedure varies among countries and can involve additional testing, and t approval may differ from that required to obtain FDA approval. The foreign regulatory approval process may incl associated with obtaining FDA approval in addition to other risks. We may not obtain foreign regulatory approval Approval by the FDA does not ensure approval by regulatory authorities in other countries, and approval by one f does not ensure approval by regulatory authorities in other foreign countries or by the FDA. We may not be able t approvals and may not receive necessary approvals to commercialize our products in any markets other than the

Risks Related to Our Intellectual Property

Third parties hold a large number of patents related to stents and we do not have rights to many of these p

Intellectual property rights, including in particular patent rights, play a critical role in the medical device industry business. We face significant risks relating to patents, both as to our own patent position as well as to patents held third-party intellectual property claim against us is successful, we could be prevented from commercializing our C other products.

There are numerous U.S. and foreign issued patents and pending patent applications owned by third parties with p the focus of our product development efforts. We are aware of patents owned by third parties, to which we do not among other things:

- use of rapamycin or its analogs to treat restenosis;

- stent structures and materials;

- catheters used to deliver stents; and

- stent manufacturing and coating processes.

Cordis, a subsidiary of Johnson & Johnson, is the owner of a number of patents and patent applications directed to rapamycin or its analogs mixed in a polymer coating on a drug eluting stent for the treatment of restenosis. These the Wright family of patents and the Falotico family of patents. Wyeth owns, and has licensed to Cordis, th are directed to the use of rapamycin for the treatment of restenosis, including the delivery of rapamycin from a ste drug.

Boston Scientific holds rights to the Grainger family of patents directed to methods of inhibiting smooth muscl using certain compounds and to the Kunz family of patents directed to methods for maintaining vessel luminal cytostatic, or cell division inhibiting, agent.

Various patents owned by third parties are directed to stent structures and materials. These patents include a group owned by Guidant Corporation, a subsidiary of Boston Scientific whose stent technology has been acquired by Al certain rights retained by Boston Scientific, which are directed to flexible stent structures. The Boneau family are directed to stents comprising multiple closed-loop elements. The Fariabi family of patents, formerly owned stents comprising cobalt- chromium alloys. The Israel and Pinchasik families of patents, owned by Medinol meandering strut patterns. A patent owned by Wall is directed to a radially collapsible mesh sleeve.

Other third-party patents are directed to stent delivery catheter technology. There are also a number of patents tha
Corporation directed to rapid exchange catheters for angioplasty and stent delivery. These include, without limita
Horzewski families of patents, directed to rapid exchange angioplasty catheters, and the Lau family of pate
catheters. Boston Scientific owns other patents directed to rapid exchange angioplasty catheters, including, the
Medtronic owns certain patents directed to guidewire handling technology in stent delivery catheters, including c
Crittenden and Kramer. A patent issued to

Fischell is directed to a sheathed stent delivery catheter. Guidant Corporation also held a patent issued to Cox, dir
catheter having an adjustable-length balloon. Certain patents owned by Boston Scientific or its subsidiaries are als
catheters having adjustable-length balloons. Certain patents owned by third parties relate to methods for coating s
Hossainy family of patents that were held by Guidant Corporation are directed to methods of coating stents wi
layer.

While one of the Yock patents directed to rapid exchange angioplasty catheters was due to expire in October 2008
application for patent extension under the Hatch-Waxman Act and was recently granted an in
patent term for a period of one year by the US Patent and Trademark Office. Before October,
and Trademark Office will determine the total length of the extension to which Abbott may b
Hatch-Waxman Act. This could result in an extension of the term of this patent even beyond

The patents described above could be found to cover our technology and may materially and adversely affect our
patents are given only as examples and there may be other patents in addition to those described above that may m
affect our business. Moreover, because patent applications can take many years to issue and remain confidential f
filing, there may be currently pending applications, unknown to us, which may later result in issued patents that p

Many of our competitors are much larger than we are, with significant resources and incentives to initiate

Based on the prolific litigation that has occurred in the stent industry and the fact that we may pose a competitive
well-capitalized companies that own or control patents relating to stents and their use, manufacture and delivery,
that one or more third parties will assert a patent infringement claim against the manufacture, use or sale of our C
based on one or more of these patents. It is also possible that a lawsuit asserting patent infringement and related c
and it is possible that a lawsuit may have already been filed against us of which we are not aware. A number of th
very large and well-capitalized companies that are active participants in the stent market. As the number of compe
stent market grows, the possibility of inadvertent patent infringement by us or a patent infringement claim against

These companies have maintained their position in the market by, among other things, establishing intellectual pr
products and enforcing these rights aggressively against their competitors and new entrants into the market. All o
stent and related markets, including Abbott Vascular (which acquired Guidant s stent technology), Boston Scient
Medtronic, have been repeatedly involved in patent litigation relating to stents since at least 1997. For exampl
Boston Scientific, Medtronic, and Abbott Vascular have each been sued by Johnson & Johns
infringement of the Morris, Wright, and/or Falotico patents. The stent and related markets ha
technological change and obsolescence in the past, and our competitors have strong incentive
introduction of new products and technologies. We may pose a competitive threat to many of
stent and related markets. Accordingly, many of these companies will have a strong incentive
patent litigation or otherwise, to prevent us from commercializing our products.

**Any lawsuit, whether initiated by us to enforce our intellectual property rights or by a third party against u
may cause us to expend significant financial and other resources, and may divert our attention from our bu**

In any infringement lawsuit, a third party could seek to enjoin, or prevent, us from commercializing our Custom N
future products, may seek damages from us and any such lawsuit would likely be expensive for us to defend agai
intellectual property litigation could result in significant expense. Some of our competitors, such as Boston Scient
Abbott Vascular and Medtronic, have considerable resources available to them and a strong economic incentive t
efforts to stop or delay us from bringing our Custom NX DES Systems to market and achieving market acceptanc
a development stage company with comparatively few resources available to us to engage in costly and protracted
determine that patents held by third parties are valid and infringed by us and we may be required to:

• pay damages, including up to treble damages and the other party s attorneys fees, which

• cease the development, manufacture, use and sale of products that infringe the patent rights
Custom NX DES Systems, through a court-imposed sanction called an injunction;

• expend significant resources to redesign our technology so that it does not infringe others develop or acquire non-infringing intellectual property, which may not be possible;

• discontinue manufacturing or other processes incorporating infringing technology; or

• obtain licenses to the infringed intellectual property, which may not be available to us on ac all.

Any development or acquisition of non-infringing products or technology or licenses could require the expenditur other resources and could have a material adverse effect on our business and financial results. If we are required t license to valid patent rights held by a third party, we would likely be prevented from commercializing the releva is unlikely that we would be able to obtain a license to any necessary patent rights controlled by companies agains directly. If we need to redesign products to avoid third-party patents, we may suffer significant regulatory delays additional studies or submitting technical, manufacturing or other information related to the redesigned product ar regulatory approval.

While our products are in clinical trials, and prior to commercialization, we believe our activities in the United St of data to the FDA could fall within the scope of the statutory infringement exemption that covers activities relate for submission to the FDA. However, this statutory exemption would not cover our stent manufacturing or other a that support overseas clinical trials or commercial sales if those activities are not also reasonably related to develo submission to the FDA. Currently available drug eluting stents are manufactured outside of the United States, wh manufacturers from adverse rulings on U.S. patent infringement claims. In an adverse ruling, a court may order ar company to stop its U.S. domestic manufacturing operations. We currently do not have any plans to manufacture United States and any finding of patent infringement against us in the United States could result in our being enjo products in the United States and could affect our ability to sell our products in the European Union. In any event has asserted a patent infringement claim against us to date should not be taken as an indication, or provide any lev infringement claim will not be asserted against us prior to or upon commercialization.

In addition, some of our agreements, including our agreement with Biosensors for the supply of the drug coating a SurModics for the supply of the lubricious coating on our catheter require us to indemnify the other party in certa products have been found to infringe a patent or other proprietary rights of others. An indemnification claim agai substantial sums to our licensor or supplier, including its attorneys fees.

If we are unable to obtain and maintain intellectual property protection covering our products, others may our products, which would adversely affect our revenue.

Our ability to protect our products from unauthorized or infringing use by third parties depends substantially on o maintain valid and enforceable patents. As of December 31, 2008 we had seven issued U.S. patents, one of which covering certain aspects of the technology that we intend to commercialize and a number of other issued patents a applications in the United States and abroad. Due to evolving legal standards relating to the patentability, validity

covering medical devices and pharmaceutical inventions and the scope of claims made under these patents, our ab
patents is uncertain and involves complex legal and factual questions. Accordingly, rights under any of our issued
with commercially meaningful protection for our products or afford us a commercial advantage against our compe
products or processes. In addition, patents may not issue from any pending or future patent applications owned by
moreover, patents that have issued to us or may issue in the future may not be valid or enforceable. Further, even
patents may not be sufficiently broad to prevent others from marketing products like ours, despite our patent right

The validity of our patent claims depends, in part, on whether prior art references exist that describe or render obv
filing date of our patent applications. We may not have identified all prior art, such as U.S. and foreign patents or
published scientific literature, that could adversely affect the validity of our issued patents or the patentability of c
applications. For example, patent applications in the United States are maintained in confidence for up to 18 mont
cases, however, patent applications remain confidential in the United States Patent and Trademark Office, or USP
to issuance as a U.S.

patent. Patent applications filed in countries outside the United States are not typically published until at least 18 date. Similarly, publication of discoveries in the scientific or patent literature often lags behind actual discoveries certain that we were the first to invent, or the first to file patent applications relating to, our stent technologies. In has also filed a U.S. patent application covering our stents or a similar invention, we may have to participate in an known as an interference, declared by the USPTO to determine priority of invention in the United States. It is pos unsuccessful in the interference, resulting in a loss of some portion or all of our position in the United States. The jurisdictions do not protect intellectual property rights to the same extent as in the United States, and many compa significant difficulties in protecting and defending such rights in foreign jurisdictions. If we encounter such diffic precluded from effectively protecting our intellectual property rights in foreign jurisdictions, our business prospec harmed.

We may initiate litigation to enforce our patent rights, which may prompt our adversaries in such litigation to cha enforceability of our patents. If a court decides that our patents are not valid, not enforceable or of a limited scope to stop others from using our technology.

We also rely on trade secret protection to protect our interests in proprietary know-how and for processes for whi obtain or enforce. We may not be able to protect our trade secrets adequately. In addition, we rely on non-disclosu agreements with employees, consultants and other parties to protect, in part, trade secrets and other proprietary te may be breached and we may not have adequate remedies for any breach. Moreover, others may independently de information, and third parties may otherwise gain access to our trade secrets and proprietary knowledge. Any disc into the public domain or to third parties could allow our competitors to learn our trade secrets and use the inform us.

We are aware that another medical business that holds patents to certain stent designs has used the name XTENT past. If it turns out that the other business has superior trademark rights in the name, and if the other business wer XTENT name, we would then need to convince a court that there is no likelihood of consumer confusion. If we w then we could be held liable for trademark infringement and we might then have to change our name as well as pa were forced to change our name, we may suffer from a loss of brand recognition, we may be required to retrieve p and may have to devote substantial resources advertising and marketing our products under a new brand name.

Risks Related to Commercialization

The medical device industry is highly competitive and subject to rapid technological change. If our competi develop and market products that are safer, more effective, less costly or otherwise more attractive than an develop, our commercial opportunity will be reduced or eliminated.

The medical device industry is highly competitive and subject to rapid and profound technological change. Our su our ability to maintain a competitive position in the development of technologies and products for use in the treat

We face competition from established pharmaceutical and biotechnology companies, as well as from academic in agencies and private and public research institutions in the United States and abroad. Most of the companies deve competing products are publicly traded or divisions of publicly-traded companies, and these companies enjoy sev

including:

- greater financial and human resources for product development, sales and marketing, and p
- significantly greater name recognition;
- established relations with healthcare professionals, customers and third-party payors;
- additional lines of products, and the ability to offer rebates or bundle products to offer high incentives to gain a competitive advantage;
- established distribution networks; and
- greater experience in conducting research and development, manufacturing, clinical trials, approval for products and marketing approved products.

For example, Johnson & Johnson, Boston Scientific, Medtronic and Abbott Laboratories, four companies with far marketing resources than we possess, have each developed, and are actively marketing, drug eluting stents that ha FDA. We may be unable to demonstrate that our Custom NX DES Systems offer any advantages over Johnson & Boston Scientific s Taxus Express2, Taxus Liberte or Promus stents, Abbott Laboratories Xience V stent or Me Smaller or early-stage companies may also prove to be significant competitors, particularly through collaborative mergers with or acquisitions by, large and established companies or through the development of novel products a

The industry in which we operate has undergone, and is expected to continue to undergo, rapid and significant tec expect competition to intensify as technical advances are made. Our competitors may develop and patent processe obtain regulatory approvals for competing products more rapidly than us, and develop more effective or less expe technologies that render our technology or products obsolete or non-competitive. For example, we are aware of co various other less-invasive technologies for treating CAD, which could make our stent platform obsolete. We also competitors in recruiting and retaining qualified scientific and management personnel, establishing clinical trial si for clinical trials, as well as in acquiring technologies and technology licenses complementary to our programs or business. If our competitors are more successful than us in these matters, our business may be harmed.

If we are unable to establish sales and marketing capabilities or enter into and maintain arrangements with market our Custom NX DES Systems, our business may be harmed.

We do not have a sales organization and have no experience as a company in the sales, marketing and distribution medical devices. To be successful in commercializing our products we must either develop a sales and marketing distribution arrangements with others to market and sell our products. Subject to the availability of adequate resou product in Europe through independent distributors. We have not yet hired any European sales people or entered distribution agreements.

Subject to the availability of adequate resources, after establishing our European sales channels, if our Custom NX for commercial sale in the United States, we currently plan to establish our own direct U.S. sales force. If we deve sales capabilities, our sales force will be competing with the experienced and well-funded marketing and sales op established competitors. Developing a sales force is expensive and time consuming and could delay or limit the su We may not be able to develop this capacity on a timely basis or at all. If we are unable to establish sales and mar need to contract with third parties to market and sell our products in the United States. To the extent that we enter parties to perform sales, marketing and distribution services in the United States or internationally, our product re we directly marketed and sold our products, or any other stent system or related device that we may develop. Furt we enter into co-promotion or other marketing and sales arrangements with other companies, any revenue receive and efforts of others, and we do not know whether these efforts will be successful. Some of our future distributors products or distribute other companies products that compete with ours, and they may have an incentive not to d marketing our products. If we are unable to establish and maintain adequate sales, marketing and distribution capa with others, we may not be able to generate product revenue and may not become profitable.

We have limited device manufacturing and drug coating capabilities and manufacturing personnel, and if o and drug coating facilities or our suppliers are unable to provide an adequate supply of products, our grow business could be harmed.

We currently have limited resources, facilities and experience to commercially manufacture the device componen
the drug coating to the stents. In addition, pursuant to the terms of the restated license agreement with Biosensors
drug coating formulation. Furthermore, effective March 23, 2009, we substantially completed a reduction in our
employees, and we expect to fully complete that reduction by March 31, 2009. None of the remaining employees
personnel. In order to produce our Custom NX DES Systems in the quantities that we anticipate will be required
demand, we will need to increase, or scale-up, the production process by a significant factor over our current leve
technical challenges to scaling-up manufacturing capacity and developing commercial-scale manufacturing facili
investment of substantial additional funds and hiring and retaining additional management and technical personne

necessary manufacturing experience. We may not successfully complete any required scale-up in a timely manner do so, we may not be able to produce products in sufficient quantities to meet the requirements for the launch of t demand, if at all. If we develop and obtain regulatory approval for our products and are unable to manufacture a s products, our revenue, business and financial prospects would be adversely affected. In addition, if the scaled-up efficient or produces stents that do not meet quality and other standards, our future gross margins may decline.

We currently assemble our Custom NX DES Systems and apply the drug coating at our facilities in Menlo Park, C our lease agreement for these facilities, our landlord may terminate our lease at any time on or after May 1, 2010 if it has obtained certain redevelopment rights with respect to the leased premises. Prior to the commercial launch premises will have to be inspected and approved by the FDA, and will likely require additional certifications by th Department of Health Services, or CDHS. Our facility and quality systems are also required to pass annual audits Standardisation Organization, or ISO, compliance. We expect to be audited in the second or third quarter of 2009 we have adequate personnel to pass the audit. We will not be able to commercialize our product until we successf and inspections of our facilities determine that our facility does not meet applicable standards, or if there is a disru manufacturing facility, or if our landlord elects to terminate our lease on or after May 1, 2010, we will have no oth our products until we are able to restore the manufacturing capability at our facility or lease alternative manufactu regulatory approval for these facilities. Because our Menlo Park facilities are located in a seismic zone, we face th may damage our facilities and disrupt our operations. If we are unable to produce sufficient quantities of our prod and planned clinical trials, if we obtain regulatory approval of our products and are unable to produce sufficient q support our planned commercial activities or if our manufacturing process yields substandard products, our develo commercialization efforts would be delayed.

If the cost of our drug coating or other components of our stent systems increase significantly, our business operations may be harmed.

Under the terms of our license agreement with Biosensors, the price we pay for our drug coating or the componen performing the formulation of the coating ourselves, may increase as Biosensors cost of manufacturing and supp components increases. We have experienced one price increase in the past and we may experience additional incr experience significant increases in the cost of our drug coating or other key components of our stent systems, our operations may be harmed.

Our manufacturing facilities and the manufacturing facilities of our suppliers must comply with strictly en requirements. If we fail to achieve regulatory approval for these manufacturing facilities, our business and would be harmed.

Completion of our clinical trials and commercialization of our products require access to, or the development of, comply with QSR and GMP. We may establish a manufacturing facility outside of the United States and can prov manufacturing facility would meet applicable foreign regulatory requirements or standards at acceptable cost, on addition, the FDA must approve facilities that manufacture our products for domestic commercial purposes, as we processes and specifications for the product. Biosensors and suppliers of components of, and products used to ma also comply with FDA and foreign regulatory requirements, which often require significant time, money and reco assurance efforts and subject us and our suppliers to potential regulatory inspections and stoppages. We, Biosenso may not satisfy these regulatory requirements. If we or our suppliers do not achieve required regulatory approval operations, our commercialization efforts could be delayed, which would harm our business and our results of ope

**We depend on single-source suppliers for some of the components in our Custom NX DES Systems. The los
delay our clinical trials or prevent or delay commercialization of our Custom NX DES Systems.**

Although we have identified several vendors for the components of our products, some of our components are cu
vendor, or a single-source supplier. In addition to our reliance on Biosensors as the only source for the supply of
depend on SurModics, which provides the slippery coating on our sheath. Our current agreement with SurModics
terminate the agreement if we do not commercialize our product by July 1, 2009. We do not expect to commercia
We do not have long-term contracts with some of our third-party suppliers of components used in the manufactur
catheters or the cobalt chromium tubing and laser-precision cutting process required to produce the stent segment
addition, we do not have long-term contracts with our third-party suppliers of some of the equipment and

components that are used in our manufacturing process and we do not carry a significant inventory of most compo
Establishing additional or replacement suppliers for these components, and obtaining any additional regulatory ap
adding or replacing suppliers, will take a substantial amount of time. We may also have difficulty obtaining simil
suppliers that are acceptable to the FDA or foreign regulatory authorities. Furthermore, since some of these suppli
United States, we are subject to foreign export laws and U.S. import and customs regulations, which complicate a
us. Some of our suppliers are also our competitors and may be reluctant to supply components to us on favorable

If we have to switch to replacement suppliers, we will face additional regulatory delays and the manufacture and
DES Systems would be interrupted for an extended period of time, which would delay completion of our clinical
of our products. In addition, we will be required to obtain prior regulatory approval from the FDA or foreign regu
different suppliers or components that may not be as safe or as effective. As a result, regulatory approval of our p
on a timely basis or at all.

**If we do not achieve our projected development goals in the time frames we announce and expect, the comm
products may be delayed and, as a result, our stock price may decline.**

From time to time, we may estimate and publicly announce the anticipated timing of the accomplishment of vario
other product development goals, which we sometimes refer to as milestones. These milestones could include obt
the European Union, the initiation of our pivotal U.S. clinical trial for our Custom NX DES Systems, the enrollme
trials, the release of data from our clinical trials and other clinical and regulatory events. The actual timing of thes
dramatically compared to our estimates, in some cases for reasons beyond our control. We cannot assure you that
milestones and if we do not meet these milestones as publicly announced, the commercialization of our products
result, our stock price may decline.

We may not be successful in our efforts to expand our portfolio of products and develop additional technol

One element of our strategy is to discover, develop and commercialize a portfolio of new products in addition to
Systems. As our resources permit, we plan to do so through our internal research programs and intend to explore
the development of new products utilizing our stent technology. Research programs to identify new disease target
techniques require substantial technical, financial and human resources, whether or not any products are ultimatel
determine that one or more of our pre-clinical programs do not have sufficient potential to warrant the allocation
programs may initially show promise in identifying potential products, yet fail to yield products for clinical devel
including the following:

- the research methodology used may not be successful in identifying potential products;

- competitors may develop alternatives that render our products obsolete;

• our products may not be deployed safely or effectively;

• products may on further study be shown to have harmful side effects or other characteristic
unlikely to be effective;

• our clinical trials may not be successful; and

• we may not receive regulatory approval.

**We depend on certain of our officers, and if we are not able to retain them or recruit additional qualified p
suffer.**

We are dependent on our President and Chief Executive Officer, Gregory D. Casciaro and our Vice President, Qu
Regulatory Affaires, Philippe Marco, M.D. Due to the specialized knowledge both of these officers possesses wit
cardiology and our business activities, the loss of service of either of these officers could delay or prevent the suc
fundraising event, a strategic transaction, or provided that we can continue with our ongoing operations, our clini
commercialization of our Custom NX DES Systems. Either of these officers may terminate their employment wit
cause or good reason. We carry key person life insurance on Mr. Casciaro but not on Philippe Marco, M.D. In co
in force and our plans to

explore strategic alternatives, we entered into retention and severance agreements with nine of our employees, inc officers. Pursuant to these agreements, we have agreed to make retention payments to each of these employees, p not terminated for cause prior to the date upon which we complete a strategic transaction, or the employee s expe whichever is earlier. The expected termination dates for these employees range from March 31, 2009 to July 31,

Risks Related to Our Industry

If we fail to obtain an adequate level of reimbursement for our products from third-party payors, there ma viable markets for our products or the markets may be much smaller than expected.

Our failure to receive adequate reimbursement or pricing approvals in the United States or internationally would r acceptance of our products in the markets in which those approvals are sought. The efficacy, safety, performance products under development and of any competing products are some of the factors that will determine the availal of reimbursement. In the United States, a preliminary threshold for coverage and payment of medical devices and approvals or clearances from the FDA. In addition, there is significant uncertainty concerning third-party coverag newly approved medical products and drugs. Future legislation, regulation or coverage and reimbursement policie adversely affect the demand for our products currently under development and limit our ability to profitably sell o payors continually attempt to contain or reduce healthcare costs by challenging the prices charged for healthcare p resulting in a downward pressure of reimbursement rates generally. Under recent regulatory changes to the metho payments for current inpatient procedures in certain hospitals, Medicare payment rates for surgical and cardiac pr decreased, including approximately 10% to 14% reductions for those procedures using drug eluting stents. The re transitioned over a three year period that began in fiscal year 2007. In 2007, The Centers for Medicare and CMS, which is responsible for administering the Medicare program, also implemented revise that better reflect the severity of the patient s condition in the hospital inpatient prospective p coverage and reimbursement for our products is unavailable, insufficient or limited in scope o is set at unsatisfactory levels, market acceptance of our products would be impaired and our f would be adversely affected.

Legislative or regulatory reform of the healthcare system may affect our ability to sell our products profita

In the United States and in certain foreign jurisdictions, there have been a number of legislative and regulatory pr regulatory and healthcare systems in ways that could impact our ability to sell our products profitably, if at all. In years, new legislation has been proposed at the federal and state levels that would effect major changes in the hea new regulations and interpretations of existing healthcare statutes and regulations are frequently adopted. Post-pa are conducted. For example, in 2005 the Office of Inspector General of the U.S. Department of Health and Huma certain sample claims paid by Medicare contracts for in-patient and out-patient claims involving arterial stent imp whether Medicare payments for these services were appropriate. The OIG found that 20 of 72 reviewed claims di reimbursement requirements. Findings of ongoing or widespread inappropriate billing of arterial stents could lead area, which in turn, could affect our ability to raise capital, obtain additional collaborators and market our product experience pricing pressures in connection with the future sale of our products due to the trend toward managed h influence of health maintenance organizations and additional legislative proposals. Our results of operations coul these and other future healthcare reforms.

We face the risk of product liability claims and may not be able to obtain insurance.

Our business exposes us to the risk of product liability claims that is inherent in the testing, manufacturing and ma
We may be subject to product liability claims if our stents cause, or merely appear to have caused, an injury. Clai
consumers, healthcare providers, third-party strategic collaborators or others selling our products. Although we ha
clinical trial liability insurance that we believe is appropriate, this insurance is subject to deductibles and coverage
product liability insurance may not continue to be available to us on acceptable terms, if at all, and, if available, th
adequate to protect us against any future product liability claims. In addition, if any of our products are approved
additional insurance coverage. If we are unable to obtain insurance at acceptable cost or on acceptable terms with
otherwise protect against potential product liability claims, we will be exposed to significant liabilities, which ma
product liability claim, recall or other claim with respect to uninsured liabilities or for amounts in excess of insure
material adverse effect on our business, financial condition and results of operations.

We may be subject to claims against us even if the apparent injury is due to the actions of others. For example, we physicians, nurses and other associated medical personnel to perform the medical procedure and related processes stents into patients. If these medical personnel are not properly trained or are negligent, the therapeutic effect of o or the patient may suffer critical injury, which may subject us to liability. In addition, an injury that is caused by t such as those who provide us with cobalt chromium tubing for our stents, those that laser cut our stents or the sup may be the basis for a claim against us. Pursuant to some of the written agreements that we have entered into wit physicians participating in our clinical trials, we have agreed to indemnify those institutions and physicians from from third party claims seeking compensation for certain injuries incurred by study subjects. We may have to ind and physicians in connection with future clinical trials.

These liabilities could prevent or interfere with our product commercialization efforts. Defending a suit, regardles could divert management s attention from our business and might result in adverse publicity, which could result inability to recruit, clinical trial patient participants or result in reduced acceptance of our products in the market.

Risks Related to Our Operations

Our operations involve hazardous materials, and we must comply with environmental laws and regulations

We are subject to a variety of federal, state and local regulations relating to the use, handling, storage, disposal, ar hazardous and toxic materials. We could incur costs, fines, and civil and criminal sanctions, third-party property d claims, or could be required to incur substantial investigation or remediation costs, if we were to violate or becom laws. We do not have insurance for environmental liabilities and liability under environmental laws can be joint a regard to comparative fault. Environmental laws could become more stringent over time, imposing greater compli risks and penalties associated with violations, which could harm our business. Compliance with current or future laws and regulations could restrict our ability to expand our facilities, impair our research, development or produc incur other significant expenses. There can be no assurance that violations of environmental laws or regulations w a result of the inability to obtain permits, human error, accident, equipment failure or other causes.

We have limited experience complying with public company obligations, including recently enacted change regulations. Compliance with these requirements will increase our costs and require additional managemer may fail to comply.

We operated as a private company until February 2007 and prior to that, we were not subject to many of the requi companies. Recently enacted and proposed changes in the laws and regulations affecting public companies, inclu Sarbanes-Oxley Act of 2002 and rules related to corporate governance and other matters subsequently adopted by Global Market, will result in increased administrative costs to us and increased legal and accounting fees. The imp heightened corporate governance standards could also make it more difficult for us to attract and retain qualified p of directors, our board committees or as executive officers.

As directed by Section 404 of the Sarbanes-Oxley Act of 2002, the SEC adopted rules requiring us to include a re internal control over financial reporting in our annual report on Form 10-K for the year ended December 31, 2008 report on Form 10-K for the year ending December 31, 2009, the independent registered public accounting firm a

statements must attest to the effectiveness of our internal control over financial reporting. We may be unable to co
requirements by the applicable deadlines. We will be testing our internal control over financial reporting in conne
requirements and could, as part of that documentation and testing, identify material weaknesses, significant defici
requiring further attention or improvement.

We expect that the price of our common stock will fluctuate substantially.

There has been a public market for our common stock for a limited amount of time. The market price for our com
by a number of factors, including:

- the results of our clinical trials;
- the timing of our regulatory approvals;
- announcements related to litigation;
- statements made by Biosensors relating to regulation or supply of the drug coating;
- the announcement of new products or service enhancements by us or our competitors;
- quarterly variations in our or our competitors results of operations;
- changes in earnings estimates, investors perceptions, recommendations by securities analy
achieve analysts earning estimates;
- the low trading volume of our common stock;
- developments in our industry, including changes in third-party reimbursement; and
- general market conditions and other factors unrelated to our operating performance or the o
of our competitors.

These factors may materially and adversely affect the market price of our common stock.

Our directors, officers and principal stockholders have significant voting power and may take actions that interests of our other stockholders.

As of January 31, 2009, our officers, directors and principal stockholders each holding more than 5% of our comm controlled approximately 75.6% of our outstanding common stock. As a result, these stockholders, if they act toge the management and affairs of our company and most matters requiring stockholder approval, including the electi of significant corporate transactions. This concentration of ownership may have the effect of delaying or preventi might adversely affect the market price of our common stock. This concentration of ownership may not be in the stockholders.

Volatility in the stock price of other companies may contribute to volatility in our stock price.

The NASDAQ Global Market, particularly in recent months, has experienced significant volatility, including with technology, pharmaceutical, biotechnology and other life science company stocks. The volatility of medical techn biotechnology and other life science company stocks often does not relate to the operating performance of the com stock. Further, there has been particular volatility in the market price of securities of early stage and development These broad market and industry factors may seriously harm the market price of our common stock, regardless of In the past, following periods of volatility in the market price of a company s securities, securities class action lit instituted. A securities class action suit against us could result in substantial costs, potential liabilities and the dive attention and resources.

Anti-takeover provisions in our amended and restated certificate of incorporation and amended and restat law, contain provisions that could discourage a takeover.

Anti-takeover provisions of our amended and restated certificate of incorporation and amended and restated bylaw have the effect of deterring or delaying attempts by our stockholders to remove or replace management, engage in changes in control. The provisions of our charter documents include:

• a classified board so that only one of the three classes of directors on our board of directors

• elimination of cumulative voting in the election of directors;

• procedures for advance notification of stockholder nominations and proposals;

• the ability of our board of directors to amend our bylaws without stockholder approval;

• a supermajority stockholder vote requirement for amending certain provisions of our amend certificate of incorporation and our amended and restated bylaws; and

• the ability of our board of directors to issue up to 10,000,000 shares of preferred stock with approval upon the terms and conditions and with the rights, privileges and preferences as our determine.

In addition, as a Delaware corporation, we are subject to Delaware law, including Section 203 of the Delaware Ge general, Section 203 prohibits a Delaware corporation from engaging in any business combination with any intere of three years following the date that the stockholder became an interested stockholder unless certain specific requ in Section 203. These provisions, alone or together, could have the effect of deterring or delaying changes in incu contests or changes in control.

We have not paid dividends in the past and do not expect to pay dividends in the future, and any return on to the value of our stock.

We have never paid cash dividends on our common stock and do not anticipate paying cash dividends on our com future. The payment of dividends on our common stock will depend on our earnings, financial condition and othe factors affecting us at such time as our board of directors may consider relevant. If we do not pay dividends, our s because a return on your investment will only occur if our stock price appreciates.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We currently occupy a facility of approximately 50,000 square feet in Menlo Park, California, under a lease whic Under the terms of our lease agreement for these facilities, our landlord may terminate our lease at any time on or obtained certain redevelopment rights with respect to the leased premises, and we may terminate the lease at anyt for any reason. We believe that our existing facility is adequate to meet our needs for at least the next 12 months a available to us through such period. As we begin commercialization of our products, we expect that we will need assure you that suitable additional space will be available in the future on commercially reasonable terms as neede

ITEM 3. LEGAL PROCEEDINGS

We are not party to any material pending or threatened litigation.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

PART II

ITEM 5. MARKET FOR THE REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER PURCHASES OF EQUITY SECURITIES

Stock Information

Our Common Stock, par value $0.001, is traded on the NASDAQ Global Market under the symbol XTNT.

As of March 4, 2009, the closing price of our Common Stock on the NASDAQ Global Market was $0.41 per shar
stockholders of record was approximately 109.

Since our incorporation, we have never declared or paid any dividends on our capital stock. We currently expect t
any, for use in the operation and expansion of our business and do not anticipate paying any cash dividends in the

The following table sets forth for the periods indicated the high and low closing sale prices of our common stock,
Global Market:

Year Ended December 31, 2007	High	Low
First Quarter (beginning February 1, 2007)	$ 16.48	$ 11.23
Second Quarter	13.97	8.74
Third Quarter	10.54	7.74
Fourth Quarter	10.84	8.50

Year Ended December 31, 2008	High	Low
First Quarter	$ 10.00	$ 4.60
Second Quarter	6.52	2.50
Third Quarter	3.14	1.05
Fourth Quarter	1.31	0.25

Securities Authorized for Issuance Under Equity Compensation Plans

The following table provides information regarding common stock that may be issued upon the exercise of option
our 2002 Stock Plan, 2006 Equity Incentive Plan and 2006 Employee Stock Purchase Plan as of December 31, 20

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights(1) (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)
Equity compensation plans approved by security holders	2,510,678	$ 5.48
Equity compensation plan not approved by security holders		N/A
Total	2,510,678	

(1) Does not include an outstanding option to purchase 5,209 shares which was issued ou
option plans.

(2) Securities remaining available for future issuance under equity compensation plans in
shares available for issuance under the 2006 Employee Stock Purchase Plan.

Stock Performance Graph

The following graphic representation shows a comparison of total stockholder returns for holders of our common
the date of our initial public offering, through December 31, 2008, compared with the NASDAQ Composite Inde
Equipment Index. This graphic comparison is presented pursuant to the rules of the Securities and Exchange Com

XTENT, Inc.

Nasdaq Medical Devices, Instruments and Supplies, Manufacturers

and Distributers Stocks Index

Nasdaq Stock Market - U.S. Index

ITEM 6. SELECTED FINANCIAL DATA

We derived the selected statements of operations data for the years ended December 31, 2008, 2007 and 2006 and
2002 (Inception) to December 31, 2008 and balance sheet data as of December 31, 2008 and 2007 from our audit
are included elsewhere in this Form 10-K. We derived the selected statements of operations data for the years end
2004 and the balance sheet data as of December 31, 2006, 2005, and 2004 from our audited financial statements
Form 10-K.Our historic results are not necessarily indicative of the results that may be expected in the future. You

together with our financial statements and related notes included elsewhere in this report and the information unde
and Analysis of Financial Condition and Results of Operations.

	Cummulative Period from June 13, 2002 (Date of Inception) to December 31, 2008	Year Ended December 3			
		2008	2007	2006 (2)	
	(in thousands, except per share data)				
Operating expenses:					
Research and development	$ 105,584	$ 31,170	$ 30,888	$ 18,923	$
General and administrative	34,460	10,917	11,269	7,258	
Total operating expenses	140,044	42,087	42,157	26,181	
Loss from operations	(140,044)	(42,087)	(42,157)	(26,181)	
Interest and other income, net	6,063	966	3,363	1,137	
Net loss	(133,981)	(41,121)	(38,794)	(25,044)	
Deemed dividend related to beneficial conversion feature of redeemable convertible preferred stock	(13,095)			(13,095)	
Net loss attributable to common stockholders	$ (147,076)	$ (41,121)	$ (38,794)	$ (38,139)	$
Net loss per share attributable to common stockholders - basic and diluted (1)		$ (1.78)	$ (1.87)	$ (13.96)	$
Weighted-average common shares outstanding - basic and diluted		23,116	20,703	2,732	

(1) See Note 2 of the notes to our financial statements for a description of the method use diluted net loss per share attributable to common stockholders.

(2) The Company adopted the provisions of SFAS 123(R) starting January 1, 2006.

	2008	2007	December 31, 2006 (in thousands)	
Balance Sheet Data				
Cash and cash equivalents	$ 13,373	$ 13,366	$ 23,105	$
Short-term investments	5,752	44,394		
Working capital	17,070	54,581	21,066	
Total assets	23,995	62,415	27,121	
Reedeemable convertible preferred stock			75,593	
Total stockholders equity (deficit)	21,508	58,331	(50,780)	

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RE OPERATIONS

Business Overview

We are a development stage medical device company focused on developing and commercializing our proprietary
to treat coronary artery disease, or CAD. Since inception we have devoted substantially all of our resources to sta
capital and research and development, including product design, testing, manufacturing and clinical trials. We hav
efforts on creating our Custom NX DES Systems, which allow a physician to deploy single or multiple stents of c
single device. We have not yet received any government regulatory approvals necessary to commercialize any of

Over the past four years, we have been conducting clinical trials to evaluate our Custom NX 36 and Custom NX 6
systems. In October 2008, the one year data from our CUSTOM III clinical trial, the two year data from our CUS
three year data from our CUSTOM I clinical trial were presented at the 2008 Transcatheter Cardiovascular Therap
Washington D.C. We believe the data from these clinical trials provided preliminary evidence of safety and effica
development of our in situ customization approach. In March 2009, we received CE Mark for our Cus
authorizing us to market our products in the European Union and certain other countries that
Mark. Even though we have received CE Mark, we will not be able to commercialize our pr
Union unless we obtain additional financing, or we consummate a strategic transaction that p
commercialize in Europe. We can provide no assurance that such a financing or strategic tran
available on terms agreeable to us, or at all.

We will need premarket approval, or PMA, from the U.S. Food and Drug Administration, or FDA, before we can
United States, which we expect will require data from a large clinical trial of up to 2,100 patients. We expect to o
planned CUSTOM IV clinical trial, but to initiate the CUSTOM IV trial, we must first obtain clearance of an inve
exemption, or IDE, from the FDA. We filed our IDE application in September 2007, and in October 2007, we rec
the FDA. In February 2009, we resubmitted our IDE application, and expect to receive a response from the FDA
of 2009. Even if we receive IDE approval from the FDA, we will not be able to initiate our IDE trial unless we ob
we consummate a strategic transaction that permits us to initiate our IDE trial. We cannot guarantee that such a f
transaction will be available on terms agreeable to us, or at all.

To date, we have not generated any revenue from our development activities and will not be able to generate reve
is approved, if ever. We have incurred net losses in each year since our inception in June 2002. Through Decembe
accumulated deficit of $134.0 million. Provided we are able to obtain adequate financing, we expect our losses to
expand our clinical trial activities and initiate commercialization activities. Since inception we have financed our
the sale of our equity securities. In May and June 2006, we raised aggregate net cash proceeds of approximately $
placement of shares of our Series D convertible preferred stock. On February 1, 2007 we completed our initial pu
stock which raised net proceeds of $68.2 million.

Recent Developments

In January 2009, we notified our employees that we were initiating a headcount reduction that would impact 115
reduction was substantially completed on March 23, 2009, and we expect it to be fully completed by March 31, 2

We also engaged Piper Jaffray & Co. in January 2009 to help us explore potential strategic alternatives, which ma
a merger, a sale of substantially all our assets, a financing, or a sale of a portion of our assets, such as our periphe
eluting balloon product or our bioabsorbable stent product. Although we cannot be sure that we will be able to id
strategic transaction, we believe that we have retained sufficient employees to facilitate such a transaction.

If we are successful in identifying and completing a strategic transaction, substantial changes may be made to our
may be completely discontinued. For example, if we are acquired by a third party, that third party may choose no
our current product development initiatives, such as our Custom NX drug eluting stent systems, our Custom NX p
our customizable drug eluting balloon technology or our bioabsorbable stent technology.

In connection with the reduction in force and our plans to explore strategic alternatives, we entered into retention
with nine of our employees, including our executive officers. Pursuant to these agreements, we have agreed to m
each of these employees, provided their employment is not terminated for cause prior to the date upon which we c
transaction, or the employee s expected termination date, whichever is earlier. The expected termination dates fo
March 31, 2009 to July 31, 2009.

Financial Operations

Revenue

To date, we have not generated any revenue from the sale of our stent systems. Revenue generation is subject to c
product in Europe. Even though we received CE Mark in March 2009, we will not be able to commercialize our
Union unless we obtain additional financing, or we consummate a strategic transaction that permits us to commer
provide no assurance that such a financing or strategic transaction will be available on terms agreeable to us, or at

Research and Development

Since inception, we have devoted a significant amount of resources to develop our Custom NX DES Systems. Fro
December 31, 2008, we incurred $105.6 million in research and development expenses related to developing our
clinical trials necessary to support regulatory approval. We expect our research and development expenses to dec
force that we substantially completed on March 23, 2009, and we expect to fully complete by March 31, 2009.

General and Administrative

General and administrative expenses consist primarily of compensation for executive, finance, marketing and adm
including stock-based compensation. Other significant expenses include professional fees for accounting and lega
efforts to obtain and maintain protection for intellectual property related to our Custom NX DES Systems. From
December 31, 2008, we incurred $34.5 million in general and administrative expenses. We expect our general an
decrease due to the reduction in force we plan to complete in March 2009.

Results of Operations

Comparison of Years Ended December 31, 2008 And 2007

Revenue. We did not generate any revenue during the years ended December 31, 2008 or 200

Research and Development

	Years Ended December 31, 2008	2007	Dollar Change
	(in thousands)		
Research and development expenses	$ 31,170	$ 30,888	$ 282

The $0.3 million increase in research and development expenses for the year ended December 31, 2008, compare
December 31, 2007, was primarily attributable to:

- An increase of $1.6 million in personnel costs related to the hiring of additional em
and development and manufacturing departments prior to the reduction in force completed in

- An increase of $0.6 million in rent, depreciation on equipment and facilities costs d
our manufacturing capacity prior to the reduction in force in July 2008, and;

- An increase of $0.2 million related to the license agreement with Millimed, partially

- A decrease of $1.5 million for prototype parts, supplies, and outside services related
development as we implemented spending decreases in the last half of 2008, and;

- A decrease of $0.6 million in expenses related to the support of our clinical research
compared to the higher expense related to support of our CUSTOM III clinical trial during 20

We expect our research and development expenses to decrease significantly as we implement additional cost savi
associated with the March 2009 reduction in force.

General and Administrative

	Years Ended December 31, 2008	2007	Dollar Change
	(in thousands)		
General and administrative expenses	$ 10,917	$ 11,269	$ (352)

The $0.4 million decrease in general and administrative expenses for the year ended December 31, 2008, compare
December 31, 2007, was primarily attributable to:

- A decrease of $0.5 million in consulting and other administrative services due to co
associated with the reduction in force in July 2008, and;

- A decrease of $0.2 million due to reductions in spending for trade shows, travel and
partially offset by

- An increase of $0.2 million in rent, depreciation on equipment and facilities costs d
manufacturing capacity prior to the reduction in force in July 2008, and;

- An increase of $0.1 million in personnel costs related to an increase of $0.3 million i
expense related to higher stock option grants in 2008 as compared to 2007, offset by a decrea
personnel costs as a result of our reduction in force in July 2008.

We expect our general and administrative expenses to decrease significantly as we implement additional cost savi
associated with the March 2009 reduction in force.

Interest and Other Income, Net

	Years Ended December 31,	Dollar

	2008	2007	Change
	(in thousands)		
Interest and other income, net	$ 966	$ 3,363	$ (2,397)

The $2.4 million decrease in interest and other income for the year ended December 31, 2008, compared to the ye
2007, was primarily attributable to a decrease in the average levels of cash, cash equivalents and short-term inves
average interest rates.

Income Taxes. Due to uncertainty surrounding the realization of deferred tax assets through fu
have provided a full valuation allowance and no benefit has been recognized for our net oper
deferred tax assets.

As of December 31, 2008, we had net operating loss carry-forwards of approximately $94.8 million available to r
if any, for Federal and California state income tax purposes. The Federal income tax net operating loss carry-forw
and the California state income tax net operating loss carry-forward begins expiring in 2015. As of December 31,
development credit carry-forwards of approximately $4.2 million and $4.4 million available to reduce future taxa
Federal and California state income tax purposes, respectively. The Federal income tax research and development
expiring in 2022, and the California state income tax research and development credits carry-forward indefinitely

Section 382 of the Internal Revenue Code generally imposes an annual limitation on the amount of net operating
be used to offset taxable income when a corporation has undergone significant changes in its stock ownership. W
the applicability of the annual limitations imposed by Section 382 caused by previous changes in our stock owner
limitations should not be significant. Future ownership changes, including changes resulting from any future sales
may adversely affect our ability to use our

remaining net operating loss carry-forwards. If our ability to use net operating loss carry-forwards is limited, we m
income earlier than we would otherwise be had we been able to fully utilize our net operating loss carry-forwards

Comparison of Years Ended December 31, 2007 And 2006

Revenue. We did not generate any revenue during the years ended December 31, 2007 or 200

Research and Development

	Years Ended December 31,		Dollar Change
	2007	2006	
	(in thousands)		
Research and development expenses	$ 30,888	$ 18,923	$ 11,965

The $12.0 million increase in research and development expenses for the year ended December 31, 2007, compar
December 31, 2006, was primarily attributable to:

- An increase of $5.3 million for prototype parts, supplies, and outside services relate
development for our Custom NX DES Systems, net of a $0.4 million decrease in non-employ
compensation;

- An increase of $4.2 million in personnel costs related to the hiring of additional emp
and development and manufacturing departments;

- An increase of $1.7 million in expenses related to the support of our clinical researc

- An increase of $0.8 million in depreciation on equipment and facilities costs as we
manufacturing capacity; and

- An increase of $0.7 million in employee stock-based compensation expense.

- These increases were partially offset by a $0.7 million decrease in patent and licens
ended December 31, 2007. We did not make a license payment to these two licensors during
December 31, 2007.

General and Administrative

	Years Ended December 31,		Dollar Change
	2007	2006	
	(in thousands)		
General and administrative expenses	$ 11,269	$ 7,258	$ 4,011

The $4.0 million increase in general and administrative expenses for the year ended December 31, 2007, compare
December 31, 2006, was primarily attributable to:

- An increase of $1.5 million in personnel costs related to the hiring of additional emp
and administration and marketing departments;

- An increase of $1.1 million in employee stock-based compensation expense;

- An increase of $0.8 million in consulting, legal and professional services associated
public company;

- An increase of $0.6 million due to spending for trade shows, travel and marketing n

- An increase of $0.5 million in insurance and other administrative expenses associat
public company.

- These increases were partially offset by a $0.3 million decrease in accounting fees i December 31, 2007, compared to the year ended December 31, 2006. Higher accounting fees the year ended December 31, 2006 while preparing for our Initial Public Offering in February

- These increases were also partially offset by a $0.2 million decrease in compensatio ended December 31, 2007, compared to the year ended December 31, 2006, due to a $0.2 mi that was paid to our Chief Financial Officer in April 2006.

Interest and Other Income, Net

	Years Ended December 31,		Dollar Change
	2007	2006	
	(in thousands)		
Interest and other income, net	$ 3,363	$ 1,137	$ 2,226

The $2.2 million increase in interest and other income for the year ended December 31, 2007, compared to the ye was primarily attributable to an increase in the levels of cash, cash equivalents and short-term investments as a re Offering in February 2007.

Liquidity And Capital Resources

Our cash and cash equivalents, and short-term investments balances as of December 31, 2008 and December 31, follows:

	As of December 31, 2008	As of December 31, 2007
	(in thousands)	
Cash and cash equivalents	$ 13,373	$ 13,366
Short-term investments	5,752	44,394
Total cash and cash equivalents and short-term investments	$ 19,125	$ 57,760

Sources of Liquidity

We are in the development stage and have incurred losses since our Inception in June 2002. As of December 31, deficit of $134.0 million. Prior to our Initial Public Offering, we funded our operations from the private placemen preferred stock resulting in aggregate net proceeds of $75.6 million through December 31, 2006. On February 1, Initial Public Offering, raising $68.2 million in net proceeds. Upon completion of the reduction in force in March

will be greatly reduced and we are working with Piper Jaffray & Co. to explore potential strategic alternatives, wh limitation, a merger, a sale of substantially all our assets, a financing, or a sale of a portion of our assets, such as o our drug eluting balloon product or our bioabsorbable stent product. If we are not successful in identifying and co transaction or securing adequate funding, we may not be able to continue our operations and may need to wind up our assets.

If we are successful in identifying and completing a strategic transaction, substantial changes may be made to our may be completely discontinued. For example, if we are acquired by a third party, that third party may choose no our current product development initiatives, such as our Custom NX drug eluting stent systems, our Custom NX p our customizable drug eluting balloon technology or our bioabsorbable stent technology.

As of December 31, 2008, we did not have any outstanding or available debt financing arrangements, we had wor and our primary source of liquidity was $19.1 million in cash and cash equivalents and short-term investments.

Summary of Cash Flows

Our operating, investing and financing activities for the year ended December 31, 2008 and December 31, 2007 a

	Year Ended December 31,	
	2008	2007
	(in thousands)	
Net cash used in operating activities	$ (37,401)	$ (34,353)
Net cash provided by (used in) investing activities	37,151	(44,858)
Net cash provided by financing activities	257	69,472
Net increase (decrease) in cash and cash equivalents	7	$ (9,739)

Operating Activities

Net cash used in operating activities was $37.4 million for the year ended December 31, 2008, compared to $34.4 December 31, 2007. The net cash used in operating activities for the years ended December 31, 2008 and Decemb reflects expenses related to product development and clinical trials. These expenses were offset in part by depreci non-cash stock-based compensation and non-cash changes in operating assets and liabilities.

Investing Activities

Net cash provided by investing activities was $37.2 million for the year ended December 31, 2008, compared to n
activities of $44.9 million for the year ended December 31, 2007. Net cash provided by investing activities for the
2008 was attributable to the maturity of short-term investments of $53.1 million and the proceeds from the sale of
million, which were partially offset by the purchase of short-term investments of $24.1 million and the purchase o
$1.8 million. The net cash used to purchase investments of $118.2 million during the year ended December 31, 20
cash raised by our Initial Public Offering in February 2007. Net cash used in investing activities for the year ende
primarily attributable to the purchase of property and equipment totaling $2.2 million. Net cash provided by inve
ended December 31, 2007 was attributable to the maturity of short-term investments of $71.6 million and the proc
investments of $4.0 million.

Financing Activities

Net cash provided by financing activities was $0.3 million for the year ended December 31, 2008, compared to $6
ended December 31, 2007. Net cash provided by financing activities for the year ended December 31, 2008 was p
million related to the issuance of common stock through the exercise of stock options and the Employee Stock Pu
provided by financing activities for the year ended December 31, 2007 was primarily attributable to our Initial Pu
February 2007.

Operating Capital and Capital Expenditure Requirements

To date, we have not commercialized any products. Even though we received CE Mark in March 2009 authorizin
in the European Union, we will not be able to commercialize our product unless we obtain additional financing, o
transaction that permits us to commercialize in Europe. We can provide no assurance that such a financing or stra
available on terms agreeable to us, or at all. We anticipate that we will continue to incur substantial net losses for
develop our products, conduct and complete clinical trials, pursue additional applications for our technology platf
development team and corporate infrastructure, and prepare for the potential commercial launch of our products.
equivalents and short-term investments are not sufficient to meet the cash requirements of these activities.

In January 2009, we notified our employees that we were initiating a headcount reduction that would impact 115
substantially completed this reduction on March 23, 2009 and expect to fully complete it by March 31, 2009. Wi
that our cash and cash equivalents and short-term investments will be sufficient to meet our anticipated cash requi
31, 2009, although our operations will be limited until such time

as a strategic transaction is achieved. If we are successful in identifying and completing a strategic transaction, su made to our current operations or they may be completely discontinued. For example, if we are acquired by a thi choose to not pursue some or any of our current product development initiatives, such as our Custom NX drug elu Custom NX peripheral stent technology, our customizable drug eluting balloon technology or our bioabsorbable s not successful in identifying and completing a strategic transaction or securing adequate funding, we may not be a operations and may need to wind up our business and liquidate our assets.

Our forecasts for the period of time through which our financial resources will be adequate to support our operatio statements and involve risks and uncertainties, and actual results could vary materially and negatively as a result o including the factors discussed in the Risk Factors contained in Item 1A of Part I of this report. We have based that may prove to be wrong, and we could utilize our available capital resources sooner than we currently expect.

Because of the numerous risks and uncertainties associated with the development of medical devices, such as our we are unable to estimate the exact amounts of capital outlays and operating expenditures necessary to complete o successfully deliver a commercial product to market. Our future funding requirements will depend on many facto to:

- the scope, rate of progress and cost of our clinical trials and other research and deve
- the cost of filing and prosecuting patent applications and defending and enforcing o intellectual property rights;
- the cost of defending, in litigation or otherwise, any claims that we infringe third-pa intellectual property rights;
- the terms and timing of any collaborative, licensing and other arrangements that we
- the cost and timing of regulatory approvals;
- the cost and timing of establishing sales, marketing and distribution capabilities;
- the cost of establishing clinical and commercial supplies of our products and any pr develop;

- the effect of competing technological and market developments; and

- licensing technologies for future development.

Future capital requirements will also depend on the extent to which we acquire or invest in businesses, products a currently have no commitments or agreements relating to any of these types of transactions.

Contractual Obligations

The following table discloses aggregate information about our contractual obligations and the periods in which pa December 31, 2008:

		Payments Due by Period			
Contractual Obligations	**Total**	**2009**	**2010 to 2012**	**2013 to 2015**	**2016 and Later**
			(in thousands)		
Operating lease	$ 1,694	$ 479	$ 1,215	$	$
Minimum royalty obligations	1,680	155	540	540	445
Total	$ 3,374	$ 634	$ 1,755	$ 540	$ 445

The long-term commitments under operating leases shown above consist of payments related to our real estate lea which was amended in May 2007, extending the term of the lease through May 31, 2012. We may terminate the l after May 1, 2010, and the landlord may terminate the lease on or after that date provided that the landlord has ob rights with respect to the leased premises.

We have license agreements with Bisensors and SurModics under which we have minimum royalty commitments for these licenses are based on our net revenues and therefore have no maximum. To date, we have paid $140,000 SurModics, and future commitments are shown in the table above, including an additional $20,000 milestone pay approval of our products. Minimum royalty payments to Biosensors of $100,000 per year begin upon CE Mark a paid $555,000 in milestone payments to date under license agreements with two other licensors.

In April 2007, we entered into a supply agreement with Fortimedix B.V., under which Fortimedix B.V. agreed to stents for use in our products. The terms of the agreement required minimum purchases over two years at contract December 31, 2008, $5.6 million had been paid for purchases under this supply agreement. Based on the contract commitments have been delayed until we receive approval from the FDA to begin clinical trials in the United Sta

In December 2007, we entered into the Amended and Restated License Agreement with Biosensors International purchase the drug and polymer components for our drug coating. As of December 31, 2008, we have purchase co approximately $43,000.

In October 2007, we entered into a Contract Research Organization Agreement with Bailer Research, Inc., under provide certain monitoring services with respect to our then planned U.S. clinical trial. At the time of signing, the contract was estimated to be from $11 to $13 million over a period of 79 months. Payments were to be made in in related milestones, and were to begin upon approval from the FDA to begin the clinical trial. In December 2008, 30-day notice to terminate this contract. No payments have been paid or are owed under the contract.

In January 2008, we entered into a contract with Cardiovascular Research Foundation, or CRF, under which CRF coordination and analysis services in connection with our then planned clinical trial in the United States. We estim total of $6.9 to $7.7 million to CRF over a period of approximately 75 months. Payments were to be made in insta milestones. Upon signing this contract, we paid CRF approximately $638,000 as a prepayment against the initiati January 2009, we provided CRF with the 60-day notice to terminate this contract, and no further amounts are owe

Off-Balance Sheet Arrangements

Since inception, we have not engaged in any off-balance sheet activities as defined in Regulation S-K Item 303(a)

Critical Accounting Policies and Estimates

Our management s discussion and analysis of our financial condition and results of operations are based on our f have been prepared in accordance with accounting principles generally accepted in the United States. The prepara statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities contingent assets and liabilities at the date of the financial statements as well as the reported revenue and expense periods. We evaluate our estimates and judgments on an ongoing basis. Actual results may differ materially from different assumptions or conditions.

While our significant accounting policies are more fully described in Note 2 to our financial statements included e
believe that the following accounting policies and estimates are most critical to a full understanding and evaluatio
results.

Clinical Trial Accruals

We record accruals for estimated clinical trial expenses, comprised of payments for work performed by participat
are a significant component of our research and development expenses. The costs of our clinical trials are contrac
the nature of the services to be provided. We accrue expenses for clinical trials based on estimates of work perfor
contracts. These estimates are based on information provided by participating clinical trial centers. If the informat
or inaccurate, we may underestimate expenses at a given point in time. To date, our estimates have not differed si

Stock-Based Compensation

Beginning on January 1, 2006, we began accounting for stock options granted to employees under the provisions
Standards Board, or FASB, Statement No. 123 (revised 2004), *Share-Based Payment*, or SFAS 123(R), which rec
fair value of stock-based compensation. The fair value of stock options was estimated using a Black-Scholes optic
requires the input of subjective assumptions in implementing SFAS 123(R), including expected stock price volati
estimated forfeitures of each award. The fair value of equity-based awards is amortized over the vesting period of
elected to use the straight-line method of amortization. Due to the limited amount of historical data available to us
stock-price volatility, employee exercise patterns and forfeitures, actual results could differ from our assumptions

Through December 31, 2005, we accounted for employee stock options using the intrinsic-value method in accord
Principles Board, or APB, Opinion No. 25, *Accounting for Stock Issued to Employees*, or APB No. 25, Financial A
or FASB, Interpretation No. 44, *Accounting for Certain Transactions Involving Stock Compensation*, an interpreta
related interpretations. For periods prior to January 1, 2006, we have complied with the disclosure-only provision
Accounting Standards, or SFAS No. 123, *Accounting for Stock-Based Compensation*, as amended.

Under APB No. 25, we recognize stock-based compensation expense when we issue employee stock option grant
financial reporting purposes, are deemed to be below the estimated fair value of the underlying common stock on
obtain contemporaneous valuations by an unrelated valuation specialist that we could rely on during this period. I
board of directors, which includes several venture capitalists who have considerable experience in the valuation o
several members with extensive experience in the medical device industry. Given the absence of an active market
uncertainty prior to the second quarter of 2006 as to whether we would pursue an initial public offering, our board
from management, determined the estimated fair value of our common stock on the date of grant based on several

- the grants involved illiquid securities in a private company;

- the options to acquire shares of our common stock were subject to vesting, generally
four-year period;

- our performance and the status of our research and development efforts;

- our stage of development and business strategy, including the status and timing of e
clearance and our PMA submission with the FDA and the likelihood and timing of product la

- the composition and changes in the management team, including the need to recruit

- the likelihood of achieving a liquidity event for the shares of our common stock, suc
offering or sale of our company, given market conditions; and

- the market prices of comparable publicly held medical device companies.

In accordance with the preparation of financial statements necessary for our initial public offering, we reassessed
our common stock. In accordance with the requirements of APB No. 25 through December 31, 2005, we have rec
compensation expense for the difference between the exercise price of the stock options granted during the year e
the reassessed fair market value of our common stock at the date of grant and we amortize that amount over the v
options and include it as a component of stock-based compensation.

Effective January 1, 2006, we adopted SFAS 123(R) using the prospective transition method, which requires the r
of compensation expense for all share-based payment awards granted, modified and settled to our employees and
2006. During 2008, we granted stock options to employees to purchase approximately 1,079,000 shares of comm
weighted-average exercise price of $6.04 per share under the Black-Scholes valuation model.

As of December 31, 2008, we had total unrecognized stock-based compensation costs of approximately $5.2 mill
grants through December 31, 2008, which is expected to be amortized as follows (in thousands):

Year Ending December 31, 2009	Year Ending December 31, 2010	Year Ending December 31, 2011	Year Ending December 31, 2012
$ 3,066	$ 1,667	$ 453	$ 43

Determining the reassessed fair value of our common stock required our board of directors and management to m
judgments, assumptions and estimates, which involved inherent uncertainty. Had our board of directors and mana
assumptions and estimates, the resulting fair value of our common stock and the resulting stock-based compensat
different.

Recent Accounting Pronouncements

On January 1, 2008, we adopted SFAS No. 157, *Fair Value Measurements*, (SFAS 157) as it relates to financia
In February 2008, the Financial Accounting Standards Board (FASB) issued FASB Staff Position (FSP) No
FASB Statement No. 157, which delayed the effective date of SFAS 157 for all non-financial assets and non-finan
that are recognized or disclosed at fair value in the financial statements on at least an annual basis, until January 1
entities. Also in February 2008, the FASB issued FSP No. FAS 157-1, *Application of FASB Statement No. 157 to*
Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification
Statement 13, which states that SFAS No. 13, *Accounting for Leases,* (SFAS 13) and other accounting pronoun
measurements for purposes of lease classification or measurement under SFAS 13 are excluded from the provisio
assets and liabilities related to leases assumed in a business combination that are required to be measured at fair v
Business Combinations, (SFAS 141) or SFAS No. 141 (revised 2007), *Business Combinations,* (SFAS 141(R
establishes a framework for measuring fair value in accounting principles generally accepted in the United States
disclosures about fair value measurements. The provisions of this standard apply to other accounting pronouncem
fair value measurements and are to be applied prospectively with limited exceptions. The adoption of SFAS 157 d
impact on our financial position, operating results or cash flows. We have not yet determined the impact on our fi
adoption of SFAS No. 157 as it pertains to non-financial assets and non-financial liabilities.

In May 2008, the Financial Accounting Standards Board (FASB) issued SFAS No. 162, *The Hierarchy of Gen*
Principles (SFAS No. 162). SFAS No. 162 identifies the sources of accounting principles and the framework f
in the preparation of financial statements of nongovernmental entities that are presented in conformity with gener
principles (the GAAP hierarchy). SFAS No. 162 will become effective 60 days following the SEC s approval of
Accounting Oversight Board amendments to AU Section 411, *The Meaning of Present Fairly in Conformity With*
Accounting Principles. We do not expect the adoption of SFAS No. 162 to have a material effect on our results of
condition.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Lia*
amendment of FASB Statement No. 115 (SFAS No. 159). SFAS No. 159 expands the use of fair value accounti
standards which require assets or liabilities to be carried at fair value. The objective of SFAS No. 159 is to improv
providing companies with the opportunity to mitigate volatility in reported earnings caused by measuring related
differently without having to apply complex hedge accounting provisions. Under SFAS No. 159, a company may
measure eligible items at specified election dates and report unrealized gains and losses on items for which the fai
elected in earnings at each subsequent reporting date. Eligible items include, but are not limited to, accounts and l

available-for-sale and held-to-maturity securities, equity method investments, accounts payable, guarantees, issue commitments. If elected, SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. Currentl eligible items subject to the fair value option under SFAS No. 159. The adoption of SFAS 159 has not impacted c financial condition.

In June 2007, the FASB ratified EITF Issue No. 07-3, *Accounting for Nonrefundable Advance Payments for Good Use in Future Research and Development Activities* (EITF No. 07-3). EITF No. 07-3 requires that nonrefundal or services that will be used or rendered for future research and development

activities be deferred and capitalized and recognized as an expense as the goods are delivered or the related servic
No. 07-3 is effective, on a prospective basis, for fiscal years beginning after December 15, 2007. We are currently
the adoption of EITF No. 07-3 will have on our results of operations and financial condition.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), *Business Combinations* (SFAS No. 141(R)
principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiab
liabilities assumed, any noncontrolling interest in the acquiree and the goodwill acquired. SFAS No. 141(R) also
requirements to enable the evaluation of the nature and financial effects of the business combination. SFAS No. 1
years beginning after December 15, 2008, and will be adopted by us in the first quarter of fiscal 2010. We continu
impact of the adoption of SFAS No. 141(R) on our results of operations and financial condition.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest rate risk

The primary objective of our investment activities is to preserve our capital for the purpose of funding operations
maximizing the income we receive from our investments without significantly increasing risk. To achieve these o
policy allows us to maintain a portfolio of cash equivalents and investments in a variety of marketable securities,
money market funds and U.S. government securities. Our cash and cash equivalents as of December 31, 2008 con
money market funds and certificates of deposits and U.S. Treasury notes. Our short-term investments as of Decer
primarily of U.S. government and agency securities. Due to the short-term nature of our investments, we believe t
exposure to interest rate risk.

Exchange rate risk

Under our Supply Agreement with Fortimedix, we have market risk exposure to adverse changes in foreign excha
stents we purchase from Fortimedix requires payment in Euros. Fluctuations in the Euro to U.S. dollar exchange r
cost of our product. In addition, we have expenses accrued in Euros for payments related to our Custom I, II, III a
we have not experienced any significant negative foreign exchange transaction losses. As a policy, we do not eng
leveraged transactions, nor do we hold financial instruments for trading purposes.

If we expand our overseas operations, our operating results may become subject to more significant fluctuations b
rates of foreign currencies in relation to the U.S. dollar. We will periodically analyze our exposure to currency flu
policies to address any future potential exchange rate risk.

ITEM 8. FINANCIAL STATEMENTS

XTENT, INC.

INDEX TO FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of XTENT, Inc.

(a development stage company)

In our opinion, the accompanying balance sheets and the related statements of operations, of stockholders equity present fairly, in all material respects, the financial position of XTENT, Inc. (a development stage company) at D and the results of its operations and its cash flows, for each of the three years in the period ended December 31, 2 period from June 13, 2002 (Inception) to December 31, 2008, in conformity with accounting principles generally of America. These financial statements are the responsibility of the Company s management. Our responsibility these financial statements based on our audits. We conducted our audits of these statements in accordance with st Company Accounting Oversight Board (United States). Those standards require that we plan and perform the aud assurance about whether the financial statements are free of material misstatement. An audit includes examining, supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and s management, and evaluating the overall financial statement presentation. We believe that our audits provide a rea opinion.

/s/ PRICEWATERHOUSECOOPERS LLP

San Jose, California
March 24, 2009

XTENT, INC.

(a development stage company)

BALANCE SHEETS

(in thousands, except per share amounts)

		De
	2008	
ASSETS		
Current assets:		
Cash and cash equivalents	$	13,373
Short-term investments		5,752
Prepaid expenses and other current assets		432
Total current assets		19,557
Property and equipment, net		4,100

Other non-current assets		338
Total assets	$	23,995
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$	943
Accrued liabilities		1,544
Total current liabilities		2,487
Commitments and Contingencies (note 6)		
Stockholders equity		
Common stock: $0.001 par value 100,000 shares authorized at December 31, 2008 and December 31, 2007 23,325 and 23,015 shares issued and outstanding at December 31, 2008 and December 31, 2007, respectively		23
Additional paid-in capital		155,511
Deferred stock-based compensation		(56
Accumulated other comprehensive income		11
Deficit accumulated during the development stage		(133,981
Total stockholders equity		21,508
Total liabilities and stockholders equity	$	23,995

The accompanying notes are an integral part of these financial statements

XTENT, INC.

(a development stage company)

STATEMENTS OF OPERATIONS

(in thousands, except per share amounts)

	Year Ended December 31,		
	2008	**2007**	**20**
Operating expenses:			
Research and development (1)	$ 31,170	$ 30,888	$
General and administrative (1)	10,917	11,269	
Total operating expenses	42,087	42,157	
Loss from operations	(42,087)	(42,157)	
Interest and other income, net	966	3,363	
Net loss	(41,121)	(38,794)	

Deemed dividend related to beneficial conversion feature of redeemable convertible preferred stock			
Net loss attributable to common stockholders	$ (41,121)	$ (38,794)	$
Net loss per share attributable to common stockholders - basic and diluted	$ (1.78)	$ (1.87)	$
Weighted-average common shares outstanding - basic and diluted	23,116	20,703	

(1) Includes the following stock-based compensation charges:			
Research and development	$ 1,418	$ 1,490	$
General and administrative	$ 2,435	$ 2,088	$

The accompanying notes are an integral part of these financial statements

XTENT, INC.

(a development stage company)

STATEMENTS OF STOCKHOLDERS EQUITY (DEFICIT)

(in thousands, except per share amounts)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Deferred Stock-Based Compensation	Accumulated Other Comprehensive Income	A D
Inception:						
Issuance of common stock to founders at $0.001 per share in exchange for cash	1,625	$ 2	$ 2	$	$	$
Exercise of stock options for cash at $0.001 per share	62					
Stock-based compensation for non employees		2				
Net loss						
Balance at December 31, 2002	1,687	2	4			
Issuance of common stock for services received in July 2003	15		6			
Stock-based compensation for non-employees			6			
Exercise of stock options for cash at $0.20 per share	10		2			
Net loss						
Balance at December 31, 2003	1,712	2	18			
Issuance of common stock for services received in May 2004	100		40			
	10		2			

Exercise of stock options for cash at $0.20 and $0.40 per share					
Stock-based compensation for non-employees			5		
Net loss					
Balance at December 31, 2004	1,822	2	65		
Exercise of stock options for cash at $0.20 and $0.40 per share	1,161	1	43		
Vesting of restricted common stock from early exercises			159		
Deferred stock-based compensation			1,272	(1,272)	
Amortization of deferred stock-based compensation				226	
Stock-based compensation for non-employees			154		
Net loss					
Balance at December 31, 2005	2,983	3	1,693	(1,046)	
Issuance of common stock for services	15		185		
Exercise of stock options for cash at $0.20 to $3.50 per share	354		92		
Vesting of restricted common stock from early exercises			115		
Amortization of deferred stock-based compensation				302	
Reversal of deferred stock-based compensation			(71)	71	
Stock-based compensation for non-employees			539		
Employee stock-based compensation under SFAS No. 123R			1,403		
Beneficial conversion feature on issuance of Series C & D redeemable convertible preferred stock			13,095		
Deemed dividend related to Beneficial conversion feature on the issuance of Series C & D redeemable convertible preferred stock			(13,095)		
Net loss					
Balance at December 31, 2006	3,352	3	3,956	(673)	
Common stock issued in connection with our Initial Public Offering	4,700	5	68,232		
Conversion of redeemable convertible preferred stock to common stock upon Initial Public Offering	14,744	15	75,578		
Exercise of stock options for cash at $0.20 to $3.50 per share	192		111		
Issuance of common stock under employee stock purchase plan	27		249		
Vesting of restricted common stock from early exercises			101		
Amortization of deferred stock-based compensation				285	
Reversal of deferred stock-based compensation			(24)	24	
Stock-based compensation for non-employees			155		
Employee stock-based compensation under SFAS No. 123R			3,138		
Net loss					
Net unrealized gains on available-for-sale securities					36
Total comprehensive loss					
Balance at December 31, 2007	23,015	23	151,496	(364)	36
Exercise of stock options for cash at $0.20 to $9.20 per share	175		106		
	85		151		

Issuance of common stock under employee stock purchase plan						
Issuance of common stock for patent rights	50		150			
Vesting of restricted common stock from early exercises			63			
Amortization of deferred stock-based compensation				242		
Reversal of deferred stock-based compensation			(66)	66		
Stock-based compensation for non-employees			21			
Employee stock-based compensation under SFAS No. 123R			3,590			
Net loss						
Net unrealized loss on available-for-sale securties					(25)	
Total comprehensive loss						
Balance at December 31, 2008	23,325	$ 23	$ 155,511	$ (56)	$ 11	$

The accompanying notes are an integral part of these financial statements

XTENT, INC.

(a development stage company)

STATEMENTS OF CASH FLOWS

(in thousands)

	Year Ended December 31,		
	2008	**2007**	**200**
Cash flows from operating activities:			
Net loss	$ (41,121)	$ (38,794)	$ (
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	1,304	1,137	
Accretion of securities discount	(366)	(1,705)	
Loss (gain) on sale of investments	(26)	20	
Loss on disposal of property and equipment	25	81	
Stock-based compensation expense	3,853	3,578	
Stock issued in exchange for services and patents	150		
Changes in operating assets and liabilities:			
Prepaid expenses and other current assets	(30)	(290)	
Accrued interest receivable on securities	344	(372)	
Accounts payable	(1,017)	1,100	
Accrued liabilities	(517)	892	
Net cash used in operating activities	(37,401)	(34,353)	(

Cash flows from investing activities:			
Purchase of investments	(24,084)	(118,238)	
Proceeds from maturities of investments	53,130	71,579	
Proceeds from sale of investments	9,963	3,986	
Purchase of property and equipment	(1,830)	(2,185)	
Restricted cash	(30)		
Proceeds from sale of property and equipment	2		
Net cash provided by (used in) investing activities	37,151	(44,858)	
Cash flows from financing activities:			
Proceeds from issuance of redeemable convertible preferred stock, net of issuance costs			
Proceeds from initial public offering, net of offering costs		69,112	
Principal payments on capital lease obligations			
Proceeds from issuance of common stock and exercise of stock options	257	360	
Net cash provided by financing activities	257	69,472	
Net increase (decrease) in cash and cash equivalents	7	(9,739)	
Cash and cash equivalents at beginning of period	13,366	23,105	
Cash and cash equivalents at end of period	$ 13,373	$ 13,366	$
Supplemental disclosure of noncash investing and financing activities:			
Deferred stock-based compensation	$	$	$
Reversal of deferred stock-based compensation	$ (66)	$ (24)	$
Dividend related to beneficial conversion feature of redeemable convertible preferred stock	$	$	$
Equipment acquired under capital leases	$	$	$
Vesting of restricted common stock from early exercises	$ 63	$ 101	$
Deferred initial public offering costs	$	$ 875	$
Changes in net unrealized gains on investments	$ (25)	$ 36	$

The accompanying notes are an integral part of these financial statements

XTENT, INC.

(a development stage company)

NOTES TO FINANCIAL STATEMENTS

NOTE 1. DESCRIPTION OF BUSINESS

The Company

XTENT, Inc. (the Company) was incorporated in the state of Delaware on June 13, 2002 (Inception), and is fo commercializing innovative drug eluting stent systems for the treatment of coronary artery disease. The Company and since inception has devoted substantially all of its time and efforts to developing products, raising capital and

The Company has incurred net operating losses each year since inception. At December 31, 2008, the Company h $134.0 million and cash and cash equivalents and short term investments of $19.1 million. The Company has not from operations. In May and June 2006, the Company completed a Series D redeemable convertible preferred sto approximately $30.0 million in cash and on February 1, 2007 completed its initial public offering raising net proc Initial Public Offering). In January 2009, the Company announced an initiative to reduce its workforce by 115. Company plans to explore strategic financing alternatives in the first half of 2009, which may include, without lim substantially all Company assets, a financing, or a sale of a portion of Company assets, such as the peripheral sten balloon product, or the bioabsorbable stent product. If the Company is successful in identifying and completing a transaction, substantial changes may be made in its operations. Upon completion of the headcount reduction in th Company expects that it will have enough cash and cash equivalents to fund limited operations through at least D strategic transaction is not completed or adequate funding is not obtained, the Company will be unable to continu wind up its business and liquidate its assets. .

Management continues to work toward its objective of creating corporate value by successfully obtaining regulato in the United States and Europe. The failure of the Company to obtain approval of its products by regulatory auth adverse effect on the Company s business, results of operations, future cash flows and financial condition.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disc and liabilities at the date of the financial statements or the original issuance date, if later, and reported amounts of reporting period. The primary estimates underlying our financial statements include the fair value of our investme valuation, and assumptions regarding variables used in calculating the fair value of our equity awards. Actual resu estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less cash equivalents. The Company deposits cash and cash equivalents with high credit quality financial institutions. primarily of money market funds and U.S. Treasury notes.

Investments

Investments with an original maturity of more than three months and less than one year at the date of purchase are
Investments consist primarily of fixed income securities. The Company classifies its investments as available-for-
Statement of Financial Accounting Standards (SFAS) No. 115, *Accounting for Certain Investments in Debt an*
recorded at fair value. The fair value of investments is based on quoted market prices. As of December 31, 2008,
investments were short-term in nature.

Unrealized gains and losses are reported as accumulated other comprehensive income (loss), which is a separate c
equity, until realized. Premiums (or discounts) on investments are amortized (or accreted) to interest and other inc
investment. Realized gains and losses on investments sold are included in interest and other income, net in the Co
operations.

XTENT, INC.

(a development stage company)

NOTES TO FINANCIAL STATEMENTS

The Company reviews its short-term investments on a regular basis to evaluate whether or not any security has ex other-than-temporary decline in fair value. If the Company believes that an other-than-temporary decline exists in securities, it writes down these investments to the fair value and records the write-down as a loss within interest a Company s statement of operations.

Restricted Cash

The Company has restricted cash in the amount of $30,000 related to a certificate of deposit held as security again employees in the purchasing department.

Concentration of Credit Risk

The Company s financial instruments that are exposed to concentration of credit risk consist primarily of cash an short-term investments. Financial instruments are comprised primarily of A1 and P1 or better-rated of money mar Government and agency securities. The Company s cash is mainly deposited with one major financial institution amount of insurance provided by the Federal Deposit Insurance Corporation on such deposits. The Company miti credit risk in cash equivalents and short-term investments by placing percentage limits on the maximum portion o which may be invested in any one investment instrument. The Company has not recognized any losses from credi during any of the periods presented and believes that it is not exposed to any significant risk on these balances.

Risks and Uncertainties

The Company is subject to risks common to companies in the development stage including, but not limited to, dev development of markets and distribution channels, dependence on key personnel and the ability to obtain addition its product plans and operations. The Company expects to continue to incur losses and have negative cash flows f foreseeable future.

The Company has a limited operating history and has yet to generate any revenues from customers. To date, the C private equity financings and its Initial Public Offering in February 2007. The Company plans to explore strategic first half of 2009, which may include, without limitation, a merger, a sale of substantially all Company assets, a fi portion of Company assets, such as the peripheral stent product, the drug eluting balloon product, or the bioabsorb

If the Company is successful in identifying and completing a strategic transaction, substantial changes may be ma
or the Company may discontinue its operations entirely if an acquiring Company does not pursue some or all of th
development initiatives. See Subsequent Events, Note 13.

The Company is aware of U.S. and foreign issued patents and pending patent applications owned by third parties
that are the focus of the Company s product development efforts. The Company is aware of patents owned by thi
Company does not have licenses, that relate to, among other things, drug coating for stents, stent structure, cathet
the stent manufacturing process.

The Company is wholly dependent on Biosensors, the sole vendor for the development, manufacture and supply o
the Company s stents, and no alternative source is available. Any delay or failure to adequately develop or supply
vendor or the submission of a drug master file, or MAF, to regulatory authorities could delay the Company s clin
commercialization of the Company s product. The loss of this sole vendor, the deterioration of the Company s re
vendor, or a significant increase in the price of the drug coating that we purchase from this sole vendor could have
the Company s financial position and results of operations.

The Company also depends on other vendors as sole suppliers of materials used in manufacturing the Company s
these vendors could cause delays in the production of the Company s product and have a material adverse effect
position, results of operations, or cash flows.

Based on the prolific litigation that has occurred in the stent industry and the fact that the Company may pose a co
large and well-capitalized companies who own or control patents relating to stents and their use, manufacture and
parties may assert a patent infringement claim against the Company based on

XTENT, INC.

(a development stage company)

NOTES TO FINANCIAL STATEMENTS

one or more of these patents. A number of these patents are owned by very large and well-capitalized companies
the stent market. Because patent applications can take many years to issue, there may be currently pending applic
Company, which may later result in issued patents that pose a material risk to the Company.

Before marketing and selling the Company s products, the Company must successfully complete pre-clinical stu
demonstrate that its products are safe and effective. Product development, including pre-clinical studies and clinic
expensive and uncertain process and is subject to delays. If additional funding is obtained, it may take the Compa
its testing, if the Company completes it at all, and the Company s clinical trials may fail at any stage. Furthermor
clinical trial may be inadequate to support a PMA application.

Segment Information

The Company currently operates as one business segment focusing on the development and commercialization of
systems for the treatment of coronary artery disease. The Company is not organized by market and is managed an
A single management team reports to the chief operating decision maker who comprehensively manages the entir

Fair Value of Financial Instruments

The carrying amounts of the Company s financial instruments including cash and cash equivalents, accounts pay
which approximate fair value due to their short maturities. The Company s short-term investments are valued at
market prices.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation, subject to review of impairment. Deprec
generally calculated using the straight-line method over the estimated useful lives of the related assets ranging fro
Leasehold improvements and assets acquired under capital leases are amortized on a straight-line basis over the te
life of the assets, whichever is shorter. Costs associated with maintenance and repairs are charged to expense as in
are capitalized. When assets are retired or otherwise disposed of, the cost and accumulated depreciation and amor
the accounts and any resulting gain or loss is reflected in the statement of operations in the period realized.

Impairment of Long-Lived Assets

The Company evaluates its long-lived assets for indicators of possible impairment by comparison of the carrying
undiscounted cash flows expected to be generated by such assets when events or changes in circumstances indica
asset may not be recoverable. Should an impairment exist, the impairment loss would be measured based on the e
asset over the asset s fair value or discounted estimates of future cash flows.

Research and Development

Research and development expenses consist of costs incurred to further the Company s research and developmen
salaries and related employee benefits, manufacturing of clinical and prototype units, costs associated with clinica
activities, regulatory activities, research-related overhead expenses and fees paid to external service providers and
organizations which conduct certain research and development activities on behalf of the Company. Costs incurre
development of products are charged to research and development expense as incurred.

Income Taxes

Income taxes are accounted for using the liability approach. Deferred tax assets and liabilities are determined base
financial statement and tax bases of assets and liabilities using current tax laws and rates in effect for the year in w
expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax as
to be realized.

XTENT, INC.

(a development stage company)

NOTES TO FINANCIAL STATEMENTS

Comprehensive Income (Loss)

Comprehensive income (loss) is defined as the change in equity from transactions and other events and circumsta
resulting from investments by owners and distributions to owners. The Company s unrealized gains (losses) on a
represent the only component of other comprehensive loss that is excluded from the Company s net loss and is re
stockholders equity.

Net Loss per Common Share

Basic and diluted net loss per common share is computed using the weighted-average number of shares of commo
the period. Potentially dilutive shares consisting of stock options, common stock subject to repurchase, redeemabl
and shares issuable under the Employee Stock Purchase Plan were not included in the diluted net loss per commo
periods presented because the inclusion of such shares would have had an antidilutive effect.

A reconciliation of the numerator and denominator used in the calculation of basic and diluted net loss per comm

	Years Ended December 31,	
	2008	2007
	(in thousands, except per share amou	
Numerator:		
Net loss	$ (41,121)	$ (38,794)
Deemed dividend related to beneficial conversion feature of redeemable convertible preferred stock		
Net loss attributable to common stockholders	$ (41,121)	$ (38,794)
Denominator:		
Weighted-average common shares outstanding	23,175	20,979
Less: Weighted-average unvested common shares subject to repurchase	(59)	(276)
Weighted-average common shares outstanding used in computing basic and diluted net loss per common share	23,116	20,703
Net loss per share attributable to common stockholders - basic and diluted	$ (1.78)	$ (1.87)

XTENT, INC.

(a development stage company)

NOTES TO FINANCIAL STATEMENTS

The following potentially dilutive shares were excluded from the computation of diluted net loss per common sha
because including them would have an antidilutive effect:

	Years Ended December 31,		
	2008	**2007**	**20**
		(in thousands)	
Redeemable convertible preferred stock			
Options to purchase common stock	2,516	2,167	
Common stock subject to repurchase	7	164	
Shares issuable under Employee Stock Purchase Plan	57	11	

Stock-Based Compensation

The Company maintains performance incentive plans under which incentive and non-qualified stock options are g
employees and non-employee consultants. Prior to January 1, 2006, the Company accounted for stock-based com
Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees* (APB 25), a
disclosures in accordance with Statement of Financial Accounting Standards No. 123, *Accounting for Stock-Base*
to account for stock options granted to employees. Under APB 25, stock-based compensation expense is recogniz
the option to the extent that the fair value of the stock exceeds the exercise price of the stock option at the date of

Effective January 1, 2006, the Company adopted SFAS 123(R), requiring measurement of the cost of employee s
for all equity awards granted based on the fair value of the award on the grant date. Under this standard, the fair v
option is estimated on the date of grant using an options pricing model. The Company currently uses the Black Sc
estimate the fair value of their share-based payments. The model requires management to make a number of assu
volatility, expected life, risk-free interest rate and expected dividends. Given the Company s limited history, the
companies to determine volatility. The expected life of the options is based on the average period the stock option
outstanding based on the options vesting term, contractual terms, and industry peers as the Company does not ha
information to develop reasonable expectations about future exercise patterns and post-vesting employment termi
risk-free interest rate assumption is based on published interest rates for U.S. Treasury zero-coupon issues with a
expected life assumed at the date of grant appropriate for the terms of the Company s stock options. The dividen
the Company s history and expectation of dividend payouts.

Stock-based compensation expense recognized in the Company s financial statements starting on January 1, 200
awards that are expected to vest. These amounts have been reduced by using an estimated forfeiture rate. Forfeitu
estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from thos
evaluates the assumptions used to value stock awards on a quarterly basis.

The Company accounts for stock-based compensation arrangements with non-employees in accordance with the I
Abstract No. 96-18, *Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, c
Selling Goods or Services*. The Company records the expense of such services based on the fair value of the equit
using the Black-Scholes pricing model. The fair value of the equity instrument is charged to operating expense ov
agreement.

Beneficial Conversion Feature

When the Company issues equity securities which are convertible into common stock at a discount from the comm
commitment date, the difference between the fair value of the common stock and the conversion price multiplied
issuable upon conversion is recognized as a beneficial conversion feature. The beneficial conversion feature is pre
to the related security holders with an offsetting amount to additional paid in capital and will be amortized over th
to the first conversion date. Since the equity securities were immediately convertible into common stock by the ho
Company recorded and immediately amortized a beneficial conversion charge (deemed dividend) of approximate
connection with its Series C and D redeemable convertible preferred stock financings in January, May and June 2

XTENT, INC.

(a development stage company)

NOTES TO FINANCIAL STATEMENTS

Recent Accounting Pronouncements

On January 1, 2008, the Company adopted SFAS No. 157, *Fair Value Measurements* , (SFAS 157) as it relates financial liabilities. In February 2008, the Financial Accounting Standards Board (FASB) issued FASB Staff P *Effective Date of FASB Statement No. 157,* which delayed the effective date of SFAS 157 for all non-financial ass liabilities, except those that are recognized or disclosed at fair value in the financial statements on at least an annu 2009 for calendar year-end entities. Also in February 2008, the FASB issued FSP No. FAS 157-1 *, Application of FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purp or Measurement under Statement 13,* which states that SFAS No. 13, *Accounting for Leases,* (SFAS 13) and ot that address fair value measurements for purposes of lease classification or measurement under SFAS 13 are excl SFAS 157, except for assets and liabilities related to leases assumed in a business combination that are required to under SFAS No. 141, *Business Combinations,* (SFAS 141) or SFAS No. 141 (revised 2007) *Business Combina* 157 defines fair value, establishes a framework for measuring fair value in accounting principles ge United States of America, and expands disclosures about fair value measurements. The provi apply to other accounting pronouncements that require or permit fair value measurements an prospectively with limited exceptions. The adoption of SFAS 157 did not have a material imp financial position, operating results or cash flows. The Company has not yet determined the i statements from the adoption of SFAS No. 157 as it pertains to non-financial assets and non-

In May 2008, the Financial Accounting Standards Board (FASB) issued SFAS No. 162, *The Hierarchy of Gen Principles* (SFAS No. 162). SFAS No. 162 identifies the sources of accounting principles and the framework f in the preparation of financial statements of nongovernmental entities that are presented in conformity with gener principles (the GAAP hierarchy). SFAS No. 162 will become effective 60 days following the SEC s approval of Accounting Oversight Board amendments to AU Section 411, *The Meaning of Present Fairly in Conformity With Accounting Principles*. The Company does not expect the adoption of SFAS No. 162 to have a material effect on financial condition.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Lia amendment of FASB Statement No. 115* (SFAS No. 159). SFAS No. 159 expands the use of fair value accounti standards which require assets or liabilities to be carried at fair value. The objective of SFAS No. 159 is to improv providing companies with the opportunity to mitigate volatility in reported earnings caused by measuring related differently without having to apply complex hedge accounting provisions. Under SFAS No. 159, a company may measure eligible items at specified election dates and report unrealized gains and losses on items for which the fai elected in earnings at each subsequent reporting date. Eligible items include, but are not limited to, accounts and l available-for-sale and held-to-maturity securities, equity method investments, accounts payable, guarantees, issue commitments. If elected, SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. Currentl expanded its eligible items subject to the fair value option under SFAS No. 159. The adoption of SFAS 159 has n results of operations and financial condition.

In June 2007, the FASB ratified EITF Issue No. 07-3, *Accounting for Nonrefundable Advance Payments for Good Use in Future Research and Development Activities* (EITF No. 07-3). EITF No. 07-3 requires that nonrefundal or services that will be used or rendered for future research and development activities be deferred and capitalized expense as the goods are delivered or the related services are performed. EITF No. 07-3 is effective, on a prospec beginning after December 15, 2007. The Company is currently evaluating the effect that the adoption of EITF No Company s results of operations and financial condition.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), *Business Combinations* (SFAS No. 141(R) principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiab liabilities assumed, any noncontrolling interest in the acquiree and the goodwill acquired. SFAS No. 141(R) also requirements to enable the evaluation of the nature and financial effects of the business combination. SFAS No. 1 years beginning after December 15, 2008, and will be adopted by the Company in the first quarter of fiscal 2010. evaluate the potential impact of the adoption of SFAS No. 141(R) on its results of operations and financial condit

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NOTES TO FINANCIAL STATEMENTS

NOTE 3. INVESTMENTS

Short-term investments, which are classified as available-for-sale, had maturities of less than one year and consist

As of December 31, 2008	Amortized Cost	Unrealized Gains	Unrealized Losses	Fa Val
		(in thousands)		
U.S. government and agency securities	$ 5,741	$ 11	$	$

As of December 31, 2007	Amortized Cost	Unrealized Gains	Unrealized Losses	Fa Val
		(in thousands)		
Commercial paper	$ 4,685	$ 21	$	$
U.S. government and agency securities	33,694	21	(9)	
Corporate bonds	5,979	3		
Total	$ 44,358	$ 45	$ (9)	$

Fair Value Measurements

On January 1, 2008, we adopted SFAS No. 157, *Fair Value Measurements* for financial assets and liabilities. This as the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction at the measurement date (exit price). SFAS No. 157 classifies the inputs used to measure fair value into the follow

- Level 1: Observable inputs such as quoted prices (unadjusted) in active markets fo liabilities.

- Level 2: Inputs other than quoted prices that are observable for the asset or liabilit indirectly. These include quoted prices for similar assets or liabilities in active markets and q identical or similar assets or liabilities in markets that are not active.

- Level 3: Unobservable inputs that reflect the reporting entity s own assumptions.

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NOTES TO FINANCIAL STATEMENTS

The Company s cash equivalents and short-term investments are classified within Level 1 or Level 2 of the fair v
are valued using quoted market prices, broker or dealer quotations, or alternative pricing sources with reasonable
The fair value hierarchy of the Company s marketable securities at fair value in connection with the adoption of
following as of December 31, 2008:

	Balance as of December 31, 2008	Significant Other Observable Inputs (Level 1) (in thousands)	Signif Obser (L
Money market funds (1)	$ 11,613	$ 11,613	$
U.S. Treasury Notes (1)	1,003		
U.S. government and agency securities	5,752		
Total	$ 18,368	$ 11,613	$

(1) Amounts are classified as part of cash equivalents on the balance sheet

NOTE 4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	December 31,	
	2008	2007
	(in thousands)	
Computer equipment	$ 779	$ 765
Machinery and equipment	4,672	4,225
Furniture and fixtures	482	379
Construction in progress	1,544	377
Leasehold improvements	443	403
	7,920	6,149
Less: Accumulated depreciation and amortization	(3,820)	(2,548)
Property and equipment, net	$ 4,100	$ 3,601

Depreciation and amortization expense for the years ended December 31, 2008, 2007 and 2006 and cumulatively,
2002 (Inception) to December 31, 2008 was approximately $1.3 million, $1.1 million, $0.8 million and $4.0 milli

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NOTES TO FINANCIAL STATEMENTS

NOTE 5. ACCRUED LIABILITIES

Accrued liabilities consist of the following:

	As of December 31,	
	2008	2007
	(in thousands)	
Compensation and benefits	$ 572	$ 671
Stock options exercised subject to repurchase	3	66
Clinical trials	760	1,077
Contributions under Employee Stock Purchase Plan	32	89
Sales taxes payable	16	38
Professional fees	117	123
Other accrued liabilities	44	60
	$ 1,544	**$ 2,124**

NOTE 6. COMMITMENTS AND CONTINGENCIES

Operating Lease Commitments

In May 2007, the Company entered into an amendment to the lease agreement pursuant to which it leases its offic
facilities. The lease amendment extends the term of the lease through May 31, 2012. In September 2008, a second
lease termination option such that the Company may terminate the lease for any reason on or after May 1, 2010, a
terminate the lease on or after that date provided it has obtained certain redevelopment rights with respect to the l

Future minimum lease payments under non-cancelable operating leases are as follows:

	Total	2009	2010	2011	
		(in thousands)			
Minimum lease commitments	**$ 1,694**	**$ 479**	**$ 493**	**$ 508**	**$**

Rent expense for the years ended December 31, 2008, 2007, and 2006, and cumulatively for the period from June
December 31, 2008 was approximately $407,000, $333,000, $224,000 and $1.3 million, respectively. The terms o
for rental payments on a monthly basis and on a graduated scale. The Company recognizes rent expense on a strai
period and has accrued for rent expense incurred but not paid.

License Agreements

The Company has entered into license agreements with Biosensors and SurModics for proprietary materials that a
the Company s products. The terms of the agreements call for milestone payments prior to achieving sales, and q
based on the greater of specified minimums or a percentage of net sales. As of December 31, 2008, future minimu
suppliers are approximate $1.7 million, and minimum royalty payments during the years ended December 31, 200
$80,000, $40,000 and $20,000, respectively. An additional $20,000 milestone payment is payable to SurModics u
milestones. Minimum royalty to Biosensors payments of $100,000 per year will begin upon achievement of certa

In July 2006, the Company entered into a license agreement with Millimed, Inc. for certain intellectual property r
business. In consideration for this license, the Company made an initial payment of $350,000 in cash and issued 1
stock during the year ended December 31, 2006. In addition, the license agreement

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NOTES TO FINANCIAL STATEMENTS

provided for an additional payment of $200,000 upon achievement of certain milestones. On July 24, 2008, the C assignment agreement with Millimed, assigning to the Company the entire and exclusive right, title and interest in intellectual property. In consideration of this assignment the Company issued 50,000 shares of unregistered comm $3.00 per share. Pursuant to the terms of the assignment agreement, the third party paid $150,000 directly to Mill milestone payment that was required under the original license agreement is no longer required.

Purchase Commitments

In April 2007, the Company entered into a supply agreement with Fortimedix B.V, under which Fortimedix B.V. deliver stents for use in the Company s products. The terms of the agreement required minimum purchases over t set in Euros. As of December 31, 2008, there were no outstanding purchase order commitments for stents. Under agreement, any further annual purchase commitments have been delayed until the Company receives approval fro trials in the United States.

In December 2007, the Company entered into the Amended and Restated License Agreement with Biosensors Int which the Company purchases the drug coating used on its stents under purchase commitments which totaled app December 31, 2008. In addition, the Company will also pay royalties to Biosensors under the license agreement w from product sales.

On October 17, 2007, the Company entered into a Contract Research Organization Agreement with Bailer Resear will provide certain monitoring services with respect to the Company s United States clinical trial when approval begin the clinical trial. The commitment under this contract is estimated to be from $11 to $13 million over a peri will be made in installments based on trial related milestones. On December 19, 2008, the Company provided to notice with respect to the Contract Research Organization Agreement under which Bailer was to provide certain r respect to the planned U.S. clinical trial. No payments have been made and no expense has been incurred related

On January 28, 2008 the Company entered into a contract with Cardiovascular Research Foundation (CRF) un certain data coordination and analysis services in connection with the Company s clinical trial in the United State that a total of $6.9 to $7.7 million will be paid to CRF over a period of approximately 75 months. Payments will based on related trial milestones. See Note 13, Subsequent Events.

On April 7, 2008, the Company entered into an agreement with Vascotube GMBH under which the Company has minimum quantities of material over the next twelve month period. As of December 31, 2008, the Company has the amount of approximately $389,000 remaining under this agreement. See Note 13, Subsequent Events.

Contingencies

The Company is not currently subject to any material legal proceedings. The Company may from time to time, ho
various legal proceedings arising in the ordinary course of business.

Indemnification

In the normal course of business, the Company enters into contracts and agreements that contain a variety of repre
and provide for general indemnifications. The Company s exposure under these agreements is unknown because
made against the Company in the future, but have not yet been made. To date, the Company has not paid any clai
defend any action related to its indemnification obligations. However, the Company may record charges in the fut
indemnification obligations.

In accordance with the Company s amended and restated certificate of incorporation (the Restated Certificate)
indemnification obligations to its officers and directors for certain events or occurrences, subject to certain limits,
Company s request in such capacity. There have been no claims to date and the Company has a Director and Off
enable it to recover a portion of any amounts paid for future claims.

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NOTES TO FINANCIAL STATEMENTS

NOTE 7. PREFERRED STOCK

Our certificate of incorporation, as amended and restated, authorizes us to issue 10 million shares of $.001 par val
December 31, 2008 or 2007, no preferred stock was issued or outstanding.

NOTE 8. COMMON STOCK

On January 22, 2007, the Company effected a 1-for-2 reverse stock split of its common stock and redeemable co
pursuant to the filing of an Amended and Restated Certificate of Incorporation. Such Amended and Restated Cert

provided for the automatic conversion of the then outstanding shares of redeemable convertible preferred stock in
All share and per share amounts included in the Company s financial statements have been adjusted to reflect thi
periods presented.

On February 1, 2007, the Company sold 4,700,000 shares of its common stock at a public offering price of $16.00
proceeds from the Initial Public Offering were approximately $68.2 million, after deducting underwriting discoun
other offering costs.

Each share of common stock has the right to one vote. The holders of common stock are entitled to dividends whe
and when declared by the Board of Directors.

Restricted common stock

Certain common stock option holders have the right to exercise unvested options, subject to a repurchase right he
repurchase the stock, at the original exercise price, in the event of voluntary or involuntary termination of employ
accordance with Emerging Issues Task Force Issue No. 00-23, *Issues Related to the Accounting for Stock Compen*
FASB Interpretation No. 44, *Accounting for Certain Transactions Involving Stock Compensation*, the Company a
in consideration for the early exercised options as a liability. As of December 31, 2008 and December 31, 2007, t
7,000 and 164,000 shares of common stock, respectively, subject to repurchase, and a related liability of $3,000 a

NOTE 9. STOCK PLANS

Employee Stock Purchase Plan

In August 2006, the Company adopted the 2006 Employee Stock Purchase Plan (ESPP), which became effecti
Public Offering on February 1, 2007. A total of 1,190,000 shares of common stock have been reserved for issuanc
addition, the ESPP provides for annual increases in the number of shares available for issuance under the ESPP o
year, beginning with the Company s fiscal year 2008, equal to the lesser of: 3% of the outstanding shares of the C
the first day of the fiscal year; 1,000,000 shares; or such other amount as the Company s Board of Directors may
Company s employees are eligible to participate if they are customarily employed by the Company for at least 20
than five months in any calendar year. However, an employee may not be granted an option to purchase stock und
employee, immediately after grant, owns stock possessing 5% or more of the total combined voting power or valu
Company s capital stock, or whose rights to purchase stock under all of the Company s employee stock purchase
exceeds $25,000 worth of stock for each calendar year.

Offering periods are scheduled to start on the first trading day on or after May 15 and November 15 of each year,
offering period, which commenced on February 1, 2007, upon completion of the Company s Initial Public Offeri
trading day on or after November 15, 2007. The ESPP permits participants to purchase common stock through pa
15% of their eligible compensation which includes a participant s base salary, wages, overtime and shift premiu
of payments for incentive compensation, bonuses and other compensation. A participant may purchase a maximu
six-month purchase period.

Amounts deducted and accumulated by the participant are used to purchase shares of the Company s common st six-month purchase period. The purchase price of the shares will be 85% of the lower of the fair market value of t on the first trading day of each offering period or on the exercise date. Participants may end their participation at period, and will be paid their accrued payroll deductions that have not yet been used to purchase shares of commo automatically upon termination of employment with the Company. The ESPP will automatically terminate in 202 terminates it sooner.

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NOTES TO FINANCIAL STATEMENTS

During the years ended December 31, 2008 and 2007, we issued approximately 85,000 and 27,000 shares, respect
representing $151,000 and $249,000, respectively, of employee contributions. As of December 31, 2008, 1,078,0
issuance under the ESPP.

Stock Option Plans

In July 2002, the Company adopted the 2002 Stock Option Plan (the 2002 Plan). The 2002 Plan was terminate
Company s initial public offering on February 1, 2007. No shares of common stock are available under the 2002
exercises of stock options granted under the 2002 Plan prior to its termination. Under the 2002 Plan, incentive sto
nonqualified stock options (NSO) were granted to employees, officers, and directors of, or consultants to, the C
under the 2002 Plan expire no later than 10 years from the date of grant.

In August 2006, the Company adopted the 2006 Equity Incentive Plan (the 2006 Plan), which became effectiv
Public Offering on February 1, 2007. The shares reserved for issuance under the 2006 Plan include (a) those share
under the 2002 Stock Plan as of January 31, 2007 (b) shares returned to the 2002 Stock Plan as the result of termi
repurchase of shares (provided that the maximum number of shares that may be added to the 2006 Equity Incentiv
(b) is 600,000 shares). Beginning in 2008, the number of shares available for issuance under the 2006 Equity Ince
annually on the first day of each fiscal year by an amount equal to the lesser of (i) 4% of the outstanding shares of
day of our immediately preceding fiscal year; (ii) 1,500,000 shares; or (iii) such other amount as the Company s
determine.

During the year ended December 31, 2008, 1,821,000 shares were added to the shares reserved for issuance under
1,079,000 stock options were granted under the 2006 Plan during the year ended December 31, 2008. Through De
Company had reserved 5,816,000 shares of common stock for issuance under both the 2002 Plan and 2006 Plan. A
2,511,000 shares were outstanding and 1,364,000 shares were available for future issuance under the 2006 Plan.

The Company also reserved 27,500 shares of common stock for the exercise of stand-alone options existing outsi
shares were granted to a non-employee during 2002, and the terms are similar to the terms listed above under the

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NOTES TO FINANCIAL STATEMENTS

Stock option activity is as follows:

	Shares Available for Grant	Options Outstanding		
		Number of Shares	Weighted Average Exercise Price	Weighted Average Contractual Term (years)
		(in thousands, except weighted average exercise price)		
Shares reserved at plan inception	625			
Options granted	(178)	178	$ 0.20	
Options exercised		(62)	0.20	
Balances, December 31, 2002	447	116	0.20	
Additional shares reserved	435			
Options granted	(493)	493	0.34	
Options exercised		(10)	0.20	
Balances, December 31, 2003	389	599	0.32	
Additional shares reserved	1,050			
Options granted	(1,162)	1,162	0.40	
Options exercised		(10)	0.20	
Options forfeited/expired	20	(20)	0.24	
Balances, December 31, 2004	297	1,731	0.38	
Additional shares reserved	1,013			
Options granted	(686)	686	0.42	
Options exercised		(1,161)	0.38	
Options forfeited/expired	131	(131)	0.40	
Balances, December 31, 2005	755	1,125	0.40	
Additional shares reserved	500			
Options granted	(1,166)	1,166	4.80	
Options exercised		(354)	0.39	
Options cancelled	43	(43)	1.50	
Balances, December 31, 2006	132	1,894	$ 3.09	
Additional shares reserved	400			
Options granted	(561)	561	10.32	
Options exercised		(192)	0.58	
Options cancelled	96	(96)	4.57	
Balances, December 31, 2007	67	2,167	$ 5.12	
Additional shares reserved	1,821			
Options granted	(1,079)	1,079	6.04	
Options exercised		(175)	0.61	
Options cancelled	555	(555)	6.75	
Balances, December 31, 2008	1,364	2,516	$ 5.47	7.91

Options vested and expected to vest at December 31, 2008	2,429	$	5.45	7.87
Options vested and exercisable at December 31, 2008	1,209	$	4.75	7.03

The total intrinsic value of options exercised during the years ended December 31, 2008 and December 31, 2007 $0.7 million and $2.2 million, respectively. The intrinsic value is calculated as the difference between the market and the exercise price of the shares. The market value of the Company s common stock as of December 31, 2008 value of options granted to employees and which vested during the years ended December 31, 2008 and Decembe and $3.1 million, respectively.

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NOTES TO FINANCIAL STATEMENTS

The following is a summary of the status of stock options outstanding, vested and exercisable by exercise price:

	Options Outstanding at December 31, 2008			Options Vested and Exercisable at December 31, 2008	
Exercise Price	Number	Weighted - Average Remaining Contractual Life (Years)	Number	Weighted - Average Exercise Price	
	(in thousands, except weighted average remaining contractual life and weighted average exercise price)				
$0.20 - $0.20	304	5.42	292	$	
$0.54 - $1.5	190	6.98	137		
$2.10 - $2.99	339	9.45	22		
$3.50 - $4.56	408	7.61	227		
$5.00 - $5.20	339	8.50	125		
$6.52 - $7.82	62	7.99	43		
$8.00 - $8.94	114	7.72	78		
$9.06 - $9.99	548	8.66	191		
$10.08 - $11.20	134	8.15	58		1
$12.32 - $16.00	78	7.99	36		1
	2,516	7.91	1,209	$	

	Options Outstanding at December 31, 2007			Options Vested and Exercisable at December 31, 2007	
Exercise Price	Number	Weighted - Average Remaining Contractual Life (Years)	Number	Weighted - Average Exercise Price	
	(in thousands, except weighted average remaining contractual life and weighted average exercise price)				
$0.20 - $0.20	35	5.08	35	$	
$0.40 - $0.40	426	6.61	312		
$0.54 - $1.50	217	7.90	103		
$3.50 - $3.50	522	8.32	209		
$5.20 - $7.82	239	8.47	111		
$8.00 - $9.20	300	9.30	36		
$9.58 - $10.52	244	9.77	5		
$11.00 - $13.00	143	9.03	25		1
$15.44 - $15.44	11	9.11			
$16.00 - $16.00	30	9.08			

	2,167	8.27	836	$

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NOTES TO FINANCIAL STATEMENTS

The weighted-average per share fair value of options granted to employees during the years ending December 31, $3.04, $5.11, and $9.07 per share, respectively.

Deferred Stock-Based Compensation

In May 2003, the Company determined the fair value of common stock to be $0.40 per share, upon issuance of its convertible preferred stock. At December 31, 2005, the fair value of the common stock was determined to be $7.9 granted were intended to be exercisable at a price per share not less than fair market value of the shares of the Co those options on their respective dates of grant. The Board of Directors determined these fair market values in goo information available to the Board of Directors and Company s management at the time of the grant. Although th determinations accurately reflect the historical value of the Company s common stock, management has retroacti its common stock for the purpose of calculating stock-based compensation expense for all grants after December Public Offering on February 1, 2007. The Company s progress against milestones in these areas was used to estim common stock. In accordance with the requirements of APB 25, the Company has recorded deferred stock-based difference between the exercise price of the stock options and the fair value of the Company s common stock at t granted during 2004 and 2005. This deferred stock-based compensation is amortized to expense on a straight-line which the options vest, generally over four years.

During the year ended December 31, 2005, the Company recorded deferred stock-based compensation related to t approximately $1,272,000, net of cancellations. During the years ended December 31, 2008 and 2007, the Compa deferred stock-based compensation of approximately $66,000 and $24,000, respectively.

Amortization of deferred stock-based compensation was approximately $242,000, $285,000 and $302,000 for the 2008, 2007 and 2006, respectively. For options granted during 2007 and 2006, the fair value of the stock on the da when determining the fair value of the stock option under the provisions of SFAS 123(R).

The Company granted stock options to employees with exercise prices below the fair value on the date of grant as

Grants Made During the Quarter Ended:	Number of Options Granted	Weighted-Average Exercise Price Per Share	Weighted-Average Fair Value Per Share	
		(in thousands, except weighted average prices)		
March 31, 2005	515	$ 0.40	$ 1.66	$

June 30, 2005	23	0.54	4.16
September 30, 2005	79	0.54	5.42
December 31, 2005	30	0.54	7.48
March 31, 2006	174	1.50	9.20
June 30, 2006	735	3.92	11.19
September 30, 2006	190	8.74	12.32
December 31, 2006	67	11.94	13.85
March 31, 2007	66	15.01	15.82

Subsequent to the Company s Initial Public Offering, no further stock options were granted with exercise prices

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Total stock-based compensation expense recorded under APB 25, SFAS 123(R) and EITF 96-18 related to option non-employees was allocated to research and development and general and administrative expense as follows:

	Year Ended December 31,		
	2008	2007	200
	(in thousands)		
Research and development	$ 1,418	$ 1,490	$
General and administrative	2,435	2,088	
Total stock-based compensation expense	$ 3,853	$ 3,578	$

No income tax benefit has been recognized relating to stock-based compensation expense and no tax benefits hav exercised stock options.

As of December 31, 2008, there was total unrecognized stock-based compensation costs of approximately $5.2 m stock options. These costs are expected to be recognized over a period of 2.6 years.

The Company estimates the fair value of stock options using the Black-Scholes option valuation model. The fair v options is being amortized on a straight-line basis over the requisite service period of the awards.

The fair value of employee stock options and stock purchase rights granted under the Company s employee stock using the following weighted-average assumptions for the years ended December 31, 2008, 2007 and 2006:

	Year Ended December 31, 2008	Year Ended December 31, 2007	Year Ende December 3 2006
Stock Options:			
Expected volatility	60% to 76%	51% to 54%	58% to 70
Risk free rate	2.45% to 3.57%	3.51% 5.10%	4.38% 4.9
Dividend yield	0%	0%	0%
Expected term (in years)	4.5 to 4.65	4.65	5.75 to 6.2
ESPP:			
Expected volatility	42% to 120%	42% to 50%	N/A
Risk free rate	.81% to 3.56%	3.56% 5.13%	N/A
Dividend yield	0%	0%	N/A
Expected term (in years)	0.5	.49 to .79	N/A

The expected term of stock options represents the weighted-average period the stock options are expected to rema on the option vesting term, contractual terms and industry peers as the Company did not have sufficient historical reasonable expectations about future exercise patterns and post-vesting employment termination behavior. Beginn term assumption was derived based on the Company s historical settlement experience. ESPP terms are for the p February 1, 2007 (Initial Public Offering) and May 15, 2007, both of which ended on November 15, 2007, and th November 15, 2007 and May 18, 2008 which ended on May 15, 2008 and November 17, 2008, respectively, and beginning November 17, 2008 will end on May 15, 2009.

The expected stock price volatility assumptions for the Company s stock options and ESPP for the years ended D 2006 were determined by examining the historical volatilities for industry peers and subsequent to the Initial Publ 2007, in combination with the historical volatility of the Company s stock. The Company will continue to analyz volatility and expected term assumptions as more historical data for the Company s common stock becomes avai

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The risk-free interest rate assumption at the date of grant is based on the U.S Treasury instruments whose term wa
expected term of the Company s stock options and ESPP.

The expected dividend assumption is based on the Company s history and expectation of dividend payouts. In ad
forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures
Forfeitures were estimated based on historical experience. Prior to the adoption of SFAS 123(R), the Company ac
they occurred.

Non-Employee Stock-based Compensation

No shares of common stock were granted to non-employees during the years ended December 31, 2008 or 2007.
December 31, 2006 and 2005, the Company granted 51,000 and 39,750 shares, respectively, of common stock at
$0.40 to $11.20 per share in exchange for services from consultants. In connection with the change of status from
an employee, the Company allowed for the continued vesting of equity instruments over the designated consultin
compensation expense related to stock options granted to non-employees is recognized as the stock options are ea
that the estimated fair value of the stock options is more readily measurable than the fair value of the services ren

The fair value of the stock options granted to non-employees is calculated at each reporting date using the Black-
model using the following assumptions:

	Year Ended December 31,		
	2008	**2007**	**2006**
Risk-free interest rate	1.92% to 4.25%	3.83% to 5.00%	4.53% to 5.25%
Expected life (in years)	6 to 10	6 to 10	6 to 10
Dividend yield	0%	0%	0%
Expected volatility	56% to 65%	56% to 57%	58% to 70%

Stock-based compensation expense will fluctuate as the fair value of the common stock fluctuates. In connection
stock options to non-employees, the Company recorded stock-based compensation charges of approximately $21,
$0.5 million and $0.8 million for the years ended December 31, 2008, 2007, and 2006, and cumulatively, for the p
(Inception) to December 31, 2008, respectively.

NOTE 10. INCOME TAXES

Due to the Company s operating loss, there was no provision for federal or state income taxes for the years ended and 2006. The Company recorded a tax benefit of $39,000 for the year ended December 31, 2008 primarily due to $39,000 for a U.S. federal refundable credit as provided by the Housing and Economic Recovery Act of 2008 (T Recovery Act, signed into law in July 2008, allows taxpayers to claim refundable alternative minimum tax or rese carryovers if they forego bonus depreciation on certain qualified fixed assets placed in service from the period bet December 2008.

XTENT, INC.

(a development stage company)

NOTES TO FINANCIAL STATEMENTS

The tax effects of temporary differences and carry-forwards that give rise to significant portions of the deferred ta
thousands):

	December 31,	
	2008	**2007**
Deferred tax assets:		
Net operating loss carryforwards	$ 37,754	$ 25.
Research & development credit carryforwards and other	7,111	5.
Capitalized start-up costs	10,917	8.
Other	2,384	1.
	58,166	40.
Valuation allowance	(58,166)	(40.
Net deferred tax assets	$	$

The Company has established a full valuation allowance against its deferred tax assets due to the uncertainty surro
assets. The valuation allowance increased $17,324,000, $16,768,000 and $11,024,000 during the years ended Dec
2006, respectively.

As of December 31, 2008, the Company had net operating loss carry-forwards of approximately $94.8 million eac
taxable income, if any, for federal and California state income tax purposes. The federal net operating loss carry-f
2022, and state net operating loss carry-forward begins expiring in 2015.

As of December 31, 2008, the Company had research and development credit carry-forwards of approximately $4
available to reduce future taxable income, if any, for federal and California state tax purposes, respectively. The f
begin expiring in 2022, and the state credits carry-forward indefinitely.

The Tax Reform Act of 1986 limits the use of net operating loss carry-forwards in certain situations where change
ownership of a company. In the event the Company has had a change in ownership, utilization of the carry- forwa

Effective January 1, 2007, the Company adopted the provisions of Financial Accounting Standards Board Interpre
Accounting for Uncertainty in Income Taxes, which provisions included a two-step approach to recognizing, d
uncertain tax positions accounted for in accordance with SFAS No. 109 (SFAS No. 109), Accounting for Inc
of FIN No. 48, the Company had no liability for unrecognized tax benefits. As a result of the implementation of F
recognized no change in the liability for unrecognized tax benefits. As of December 31, 2008, the liability for unr
$0.

Our continuing practice is to recognize interest and penalties related to income tax matters in income tax expense. the Company had no accrued interest and penalties related to uncertain tax matters.

The Company does not have any unrecognized tax liabilities that would be reduced as a result of a lapse of the ap during the next twelve months.

NOTE 11. REDUCTION IN FORCE

On July 10, 2008, the Company announced an initiative to reduce employee headcount by eliminating 46 regular positions. This reduction represented approximately 34% of the total workforce and was completed in July 2008. and expenses incurred in connection with this reduction in workforce was approximately $210,000, of which $17 research and development and $40,000 was included in general and administrative in the Statement of Operations approximately $7,000 of non-cash expenses. All amounts were paid during the quarter ended September 30, 200

NOTE 12. EMPLOYEE BENEFIT PLANS

The Company adopted a 401(k) Profit Sharing Plan and Trust covering substantially all of its employees. Compar are discretionary and as of December 31, 2008, no contributions have been made.

XTENT, INC.

(a development stage company)

NOTES TO FINANCIAL STATEMENTS

NOTE 13. SUBSEQUENT EVENTS

On January 7, 2009, the Company provided to Cardiovascular Research Foundation (CRF) a 60-day terminatio contract under which CRF was to perform certain data coordination and analysis services in connection with the p payment of $638,000 had been made upon the signing of this contract, and no further amounts are owed.

On January 21, 2009, the Company approved an initiative to reduce its headcount by 115, or 94% of the Company expense to be incurred in connection with the initiative is estimated at approximately $1.1 to $1.2 million, all of w expenditures. Most of the expenses are expected to be incurred in the first quarter of 2009.

In February 2009, the Letter of Intent with Vascotube was terminated, and all related purchase commitment under released.

NOTE 14. SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

The following table contains selected unaudited condensed statement of operations data:

			Fiscal 2008 Quarters Ende		
		March 31,		June 30,	Septemb
			(in thousands, except per share a		
Net loss	$	(12,457)	$	(12,886)	$
Net loss attibutable to common stockholders	$	(12,457)	$	(12,886)	$
Net loss per share attributable to common stockholders - basic and diluted	$	(0.54)	$	(0.56)	$
Weighted-average common shares outstanding used in computing basic and diluted net loss per common share		22,923		23,033	

			Fiscal 2007 Quarters Ende		
		March 31,		June 30,	Septemb
			(in thousands, except per share a		
Net loss	$	(7,935)	$	(9,456)	$
Net loss attibutable to common stockholders	$	(7,935)	$	(9,456)	$

Net loss per share attributable to common stockholders - basic and diluted	$ (0.55)	$ (0.42)	$
Weighted-average common shares outstanding used in computing basic and diluted net loss per common share	14,482	22,551	

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOU
ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclo
or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods speci
forms, and that such information is accumulated and communicated to our management, including our Chief Exec
Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

We carried out an evaluation, under the supervision and with the participation of our management, including our
Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures
Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of our most recent fiscal year. Based upon t
Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effecti

Changes in Internal Control Over Financial Reporting

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the
during the fourth quarter of 2008 that has materially affected, or is reasonably likely to materially affect, our inter
reporting.

Management s Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting
Rule 13a-15(f). Our management conducted an evaluation of the effectiveness of our internal control over financi
framework in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of th
Based on this evaluation, our management concluded that our internal control over financial reporting was effecti
This Annual Report on Form 10-K does not include an attestation report of our independent registered public acc
internal control over financial reporting. Management s report was not subject to attestation by our independent r
firm pursuant to temporary rules of the Securities and Exchange Commission that permit us to provide only mana
Annual Report on Form 10-K.

ITEM 9B. **OTHER INFORMATION**

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVE

The information required by this Item is incorporated by reference to the definitive proxy statement for our 2009 Stockholders to be filed with the Securities and Exchange Commission within 120 days after the end of our 2008 Statement).

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated by reference to the 2009 Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Item is incorporated by reference to the 2009 Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS A INDEPENDENCE

The information required by this Item is incorporated by reference to the 2009 Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item is incorporated by reference to the 2009 Proxy Statement.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(1) The financial statements required by Item 15(a) are filed in Item 8 of this A
Form 10-K.

(2) All schedules are omitted because they are not applicable. All the required
the financial statements or notes thereto.

(3) Exhibits.

Exhibit Number		Description
3.2	(1)	Amended and Restated Certificate of Incorporation.
3.4	(1)	Amended and Restated Bylaws.
4.1	(1)	Specimen Common Stock certificate of the Registrant.
10.1	(1)	Form of Indemnification Agreement for directors and executive officers.
10.2	(1)	2002 Stock Plan and form of stock option agreements used thereunder.
10.3	(1)	2006 Equity Incentive Plan and form of stock option agreement used thereunder.
10.4	(1)	2006 Employee Stock Purchase Plan.
10.5	(1)	Amended and Restated Investor Rights Agreement dated May 5, 2006 by and among the Regist stockholders.
10.6	(1)	Business Park Lease dated September 15, 2003, as amended November 22, 2005, by and betwe 125 Constitution Associates, L.P. for office space located at 125 Constitution Drive, Menlo Par 94025-1118.
10.7	(1)	License Agreement dated May 4, 2004 as amended February 9, 2005, by and between the Regis International Group, Ltd. (formerly Sun Biomedical, Ltd.), and Biosensors Europe SA (an affili International, B.V.)
10.8	(1)	Master License Agreement dated December 30, 2002, as amended June 30, 2006, by and betwe SurModics, Inc.
10.9	(1)	License Agreement dated July 10, 2006 by and between the Registrant and Millimed A/S.
10.10	(2)	Supply Agreement dated April 2, 2007 by and between Registrant and Fortimedix B.V.
10.11	(3)	Second Amendment to Lease dated May 17, 2007 by and between the Registrant and 125 Cons Associates, L.P.
10.12	(4)	Amended and Restated License Agreement dated December 3, 2007 by and between Registrant International Group, Ltd. and Biosensors Europe S.A.
10.13	(5)	Amended 2006 Equity Incentive Plan and form of stock option agreement used thereunder.
23.1		Consent of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm.
31.1		Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2
31.2		Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2
32.1		Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursua the Sarbanes-Oxley Act of 2002.
32.2		Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuan Sarbanes-Oxley Act of 2002.

(1) Incorporated by reference from our Registration Statement on Form S-1 (R
No. 333-136371), which was declared effective on January 31, 2007.

(2) Incorporated by reference from our Quarterly Report on Form 10-Q for the
March 31, 2007, filed May 14, 2007.

(3) Incorporated by reference from our Quarterly Report on Form 10-Q for the
2007, filed August 13, 2007.

(4) Incorporated by reference from our Annual Report on Form 10-K for the year ended Decem
March 17, 2008.

(5) Incorporated by reference from our Quarterly Report on Form 10-Q for the quarter ended S
November 12, 2008.

Portions of the exhibit have been omitted pursuant to a request for confide
confidential portions have been filed with the SEC.

SIGNATURES

Pursuant to the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, the Registrant has
Report on Form 10-K to be signed on our behalf by the undersigned, thereunto duly authorized.

Date: March 24, 2009

XTENT, Inc.

By: /s/ GREGORY D. CASC
Gregory D. Casciaro
President and Chief Executive
(Principal Executive Office

KNOW ALL MEN AND WOMEN BY THESE PRESENTS, that each person whose signature appears below co
Gregory D. Casciaro and Timothy D. Kahlenberg, his or her attorney-in-fact, with the power of substitution, for h
capacities, to sign any amendments to this annual report on Form 10-K, and to file the same, with exhibits thereto
connection therewith, with the U.S. Securities and Exchange Commission, hereby ratifying and confirming all tha
substitute, may do or cause to be done by virtue thereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10-K has been
following persons on behalf of the Registrant in the capacities and on the dates indicated:

Signature	**Title**
/s/ GREGORY D. CASCIARO Gregory D. Casciaro	President, Chief Executive Officer and Director (Principal Executive Officer)
/s/ TIMOTHY D. KAHLENBERG Timothy D. Kahlenberg	Chief Financial Officer (Principal Accounting Officer)
/s/ HENRY A. PLAIN, JR. Henry A. Plain, Jr.	Director
/s/ MICHAEL A. CARUSI Michael A. Carusi	Director
/s/ MICHAEL L. EAGLE Michael L. Eagle	Director
/s/ ROBERT E. FLAHERTY Robert E. Flaherty	Director
/s/ CHRISTOPHER M. SMITH Christopher M. Smith	Director
/s/ ARTHUR T. TAYLOR Arthur T. Taylor	Director
/s/ EDWARD W. UNKART Edward W. Unkart	Director

/s/ ALLAN R. WILL Director
Allan R. Will

UNITED STATES

SECURITIES AND EXCHANGE COMMISS

WASHINGTON, D.C. 20549

FORM 10-K/A

Amendment No. 1

(Mark One)

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2008

or

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 001-33282

XTENT, INC.

(Exact name of Registrant as specified in its charter)

Delaware	**41-204757**
(State of incorporation)	(I.R.S. Employer Identi

125 Constitution Drive
Menlo Park, California 94025-1118
(Address of principal executive offices, including Zip Code)

(650) 475-9400
(Registrant s telephone number, including area code)

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

Title of each class:		**Name of each exchange on v**
Common Stock, par value $0.001		The NASDAQ Stock M

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

None

(Title of Class)

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of t

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file suc subject to such requirements for the past 90 days. Yes x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained contained, to the best of the Registrant s knowledge, in definitive proxy or information statements incorporated b Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated fi company. See definitions of large accelerated filer, accelerated filer, and smaller reporting company in R Act. (Check one):

Large accelerated filer o	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Sma

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)

The aggregate market value of the voting stock held by non-affiliates of the Registrant, based upon the closing sa on the last day of its second fiscal quarter of 2008 was $12,804,108. Shares of common stock held by each execut by each person who owns 5% or more of the outstanding common stock have been excluded in that such persons This determination of affiliate status is not necessarily a conclusive determination for other purposes.

At March 5, 2009, the Registrant had 23,324,756 shares of Common Stock outstanding.

EXPLANATORY NOTE

XTENT, Inc. is filing this Amendment No. 1 on Form 10-K/A to its Annual Report on Form 10-K for the fiscal y
2008, originally filed on March 24, 2009, for the purpose of including the information required by Part III of Forn
herein, no other changes are made to our Annual Report on Form 10-K for the fiscal year ended December 31, 20

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Executive Officers and Directors

The following table sets forth certain information concerning our executive officers and directors, as of April 1, 2

Name	Age	Position
Gregory D. Casciaro	52	President, Chief Executive Officer and Director
Timothy D. Kahlenberg	49	Chief Financial Officer
Randolph E. Campbell	51	Chief Technical Officer
Philippe H. Marco, M.D.	45	Vice President of Quality Assurance, Clinical and Regulato
Henry A. Plain, Jr.(2)	51	Chairman of the Board of Directors
Michael A. Carusi	43	Director
Michael L. Eagle(2)(3)	61	Director
Robert E. Flaherty(1)(2)	63	Director
Edward W. Unkart(1)	59	Director
Christopher M. Smith(3)	46	Director
Arthur T. Taylor(1)	52	Director
Allan R. Will(3)	55	Director

(1) Member of the audit committee.

(2) Member of the compensation committee.

(3) Member of the nominating and corporate governance committee.

Gregory D. Casciaro has served as our President and Chief Executive Officer and is a member of our board since February 2000 to August 2003, Mr. Casciaro was the President and Chief Executive Officer and a director of Orq company. Mr. Casciaro holds a B.A. in Business Administration from Marquette University.

Timothy D. Kahlenberg has served as our Chief Financial Officer since April 2006. From May 2005 to April 200 director of finance at Medtronic, a medical technology company. From August 1999 to February 2004, Mr. Kahle Chief Financial Officer of LuMend, a developer of medical devices to treat chronic total occlusions, which was ac Corporation, a Johnson & Johnson company, in September 2005. Mr. Kahlenberg holds a B.S. in Quantitative Bu M.B.A. from Indiana University.

Randolph E. Campbell has served as our Chief Technical Officer since April 2004. From October 2001 to April as the Vice President of Manufacturing at Emphasys Medical, a developer of medical devices for the treatment of pulmonary disease. From January 1994 to September 2001, Mr. Campbell was the Vice President of Operations a vascular access closure devices, which was acquired by Abbott Laboratories in November 1999. Mr. Campbell ho Engineering from the University of California, Berkeley.

Philippe H. Marco, M.D. has served as our Vice President of Quality Assurance, Clinical and Regulatory Affairs July 1996 to December 2002, Dr. Marco served as the Director of Medical Affairs at Perclose. Following the acqu Laboratories, Dr. Marco was responsible for worldwide clinical and regulatory affairs for Abbott Laboratories c Dr. Marco holds a M.D. from the University of Limoges and the University of Toulouse and completed a fellowsh for Cardiovascular Research at Sequoia Hospital.

Henry A. Plain, Jr. has served on our board since June 2002 and as Chairman of our board since October 2004. M President and Chief Executive Officer from June 2002 to October 2004. Mr. Plain has been a General Partner at M venture capital firm, since September 2007 and he has been the Vice Chairman of the board of directors of The Fo February 1993 to November 1999, Mr. Plain was the President and Chief Executive Officer and a member of the and directed Perclose through an initial public offering, a secondary offering and an acquisition by Abbott Labora Following the acquisition of Perclose by Abbott Laboratories, Mr. Plain served as the President of Perclose and V Products Division at Abbott Laboratories until May 2000. Mr. Plain also serves on the boards of several privately companies. Mr. Plain holds a B.S. in Business Administration from the University of Missouri, Columbia.

Michael A. Carusi has served on our board since May 2003. He has been a General Partner at Advanced Technol capital firm, since October 1998. Mr. Carusi also serves on the board of TranS1, Inc., a public medical device com several privately-held life sciences and medical device companies. Mr. Carusi holds a B.S. in Mechanical Enginee and an M.B.A. from Dartmouth College.

Michael L. Eagle has served on our board since August 2007. Mr. Eagle was Vice President-Manufacturing for E 1993-2001. He is a former CEO of IVAC Corporation, and Sr. VP of the Medical Devices and Diagnostics Divisi Corporation). He retired from Eli Lilly and Company in 2001. He serves on the board of directors of Somaxon Ph Endovascular and Symphony Medical. Mr. Eagle received his B.S. in Mechanical Engineering from Kettering Un the Krannert School of Management at Purdue University.

Robert E. Flaherty has served on our board since January 2007. Mr. Flaherty has served as Chairman, President a of Athena Diagnostics, a commercial laboratory company, since 1992. Athena Diagnostics was acquired by Therm November 2006. Prior to Athena Diagnostics, Mr. Flaherty was employed by Becton, Dickinson and Company, a company, and held various positions including President of the Becton Dickinson Division. Mr. Flaherty holds a B from Lehigh University and an M.B.A. from Harvard University.

Christopher M. Smith has served on our board of directors since June 2008. He is the President of Cochlear Amer implantable hearing devices. Prior to Cochlear, he was a Consultant for Warburg Pincus, a direct equity healthcar Warburg in identifying market opportunities for investment. From August 2000 to October 2003, Mr. Smith serve Gyrus Group Plc, (a UK listed company), and as President and CEO-Director of Gyrus Medical. Mr. Smith also s private company. Mr. Smith received his B.S. in Journalism and Marketing from Texas A&M University.

Arthur T. Taylor has served on our board since June 2008. From November 2007 to May 2008, he was Vice-Pre Kyphon Products, Spinal & Biologics Business, Medtronic Inc. Prior to that, he was Chief Operating Officer of K company, from 2006 until the company s acquisition by Medtronic in November 2007, having served as Chief Fi

Kyphon from 2004 to 2006. Prior to joining Kyphon, he was Senior Vice President, Chief Financial Officer of Te
Systems (subsequently acquired by Motorola) a broadband access and video processing technology company, fro
July 2004. Mr. Taylor holds a B.S. in Business Administration from San Diego State University and an M.B.A. f
Southern California.

Edward W. Unkart has served on our board since August 2006. Since January 2009, Mr. Unkart has been an inde
January 2005 to December 2008, Mr. Unkart served as Vice President of Finance and Administration and Chief F
manufacturer of medical devices used in surgery, which was acquired by Johnson & Johnson in October 2008. Fr
December 2004, Mr. Unkart was an independent consultant. From May 2001 to May 2004, Mr. Unkart served as
and Administration and Chief Financial Officer of Novacept, a manufacturer of medical devices for women s hea
by Cytyc Corporation in March 2004. Mr. Unkart currently serves on the board of directors of VNUS Medical Te
medical device company, and is the chairperson of its audit committee. Mr. Unkart also serves on the board of dir
medical device company. Mr. Unkart is a Certified Public Accountant and holds a B.S. in Statistics and an M.B.A

Allan R. Will has served on our board since July 2002 and as Chairman of our board from July 2002 to October 2
Managing Director of Split Rock Partners, a venture capital firm, since July 2004. From November 2002 to June
Partner at St. Paul Venture Capital, a venture capital firm. Mr. Will is the founder and Chairman of the board of d
served as its Chief Executive Officer from 1998 until 2002. Mr. Will also served as the interim Chief Executive O
from 2001 to 2002, as Chief Executive Officer of Evalve from 1999 to 2000, as the President and Chief Executive
1994 to 1997. Mr. Will also serves on the boards of several privately-held medical device companies. Mr. Will ho
the University of Maryland and an M.S. in Management from the Massachusetts Institute of Technology.

Executive Officers

Our executive officers are elected by, and serve at the discretion of, our board of directors. There are no family re
directors and officers.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our directors, officers and beneficial o
our Common Stock to file with the SEC and the National Association of Securities Dealers reports of ownership o
changes in ownership on Form 4 or Form 5. Such persons are required by SEC regulations to furnish us with cop
they file.

Based solely on our review of the copies of such forms received by us, or written representations from certain rep
were required for those persons, we believe that during the 2008 fiscal year, all filing requirements applicable to o
greater than 10% beneficial owners were complied with except as set forth in this paragraph. On February 12, 200
Grainger, Gregory D. Casciaro, Timothy D. Kahlenberg, Randolph E. Campbell, Philippe Marco and Anne-Marie
Form 4 reporting one transaction that occurred on January 29, 2008.

Corporate Governance

Code of Business Conduct and Ethics. We are committed to maintaining the highest standards of business condu
adopted a Code of Business Conduct and Ethics (the Code) for our directors, officers (including our principal e
financial officer) and employees.

The Code reflects our values and the business practices and principles of behavior that support this commitment. directors, officers and employees to act ethically at all times. The Code satisfies SEC rules for a code of ethics Sarbanes-Oxley Act of 2002, as well as the Nasdaq listing standards requirement for a code of conduct. The C at www.xtentinc.com under Company Investor Relations Corporate Governance. We will post any amendm waivers that are required to be disclosed by the rules of the SEC or the Nasdaq, on our website. Any person may free of charge, by making a request in writing to: XTENT, Inc. 125 Constitution Drive, Menlo Park, CA 94025, A

Audit Committee. Our board has a separate audit committee established in accordance with section 3(a)(58)(a) o of 1934, as amended (the Exchange Act). The audit committee is responsible for the appointment, compensatio auditors. It reviews and provides direction with regard to our internal accounting procedures and reviews our fina The audit committee currently consists of Messrs. Taylor, Flaherty and Unkart. Mr. Unkart is the chairperson of board has determined that both he and Mr. Taylor are our audit committee financial experts, as currently defined board has determined that all the members of our audit committee are considered to be independent within the me Nasdaq rules regarding audit committee members.

ITEM 11. EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Overview

This compensation discussion and analysis section describes all material elements of our compensation programs officer, chief financial officer and each of our other three most highly compensated executive officers as of the en refer to these persons as our named executive officers.

The compensation committee of our board of directors has the primary authority for and is the decision-making b the compensation of our named executive officers. The compensation committee establishes compensation philos aspects of our executive compensation including plan design and administration.

Compensation Program Objectives and Philosophy

The goal of our compensation program is to provide competitive compensation to attract and retain executives wi success in the medical device and biotech industries. The variable components of total compensation are designed median pay when executives achieve all of their pre-specified goals.

Our compensation program is designed to:

- emphasize competitive market-based compensation packages, focusing on aligning individual perform

and

- encourage strong organizational performance by establishing challenging goals and utilizing incentive

business objectives to reward tangible business results.

Our philosophy is to position total compensation at a level that is commensurate with our public company, pre-re
comparable medical device and biotech companies. To this end, the compensation committee carefully reviewed
and the mix of

compensation components that contribute to total compensation using public information from 23 peer group com

Peer Companies

The compensation committee considers relevant market practices when setting executive compensation to ensure retain high-caliber talent. In assessing market competitiveness, the compensation of our executive officers is revie compensation at a designated set of companies (the executive peer group). The executive peer group consists o biotech companies that:

- are similar to us in key parameters (i.e., revenue, net income, market capitalization, number of employ
- have executive officer positions that are comparable to ours in terms of breadth, complexity and scope

The executive peer group is intended to reflect the nature of the business activities we are undertaking in order to Custom NX DES System is a combination device which includes a novel interdigitated modular stent design and acid drug coating. Our compensation committee believes that because of the complexities associated with the dev device, a peer group consisting entirely of medical device companies is not appropriate. As such, the executive pe independent peer groups, medical device companies and biotech companies. To estimate competitive market valu comparator benchmarks are weighted at 67%, and biotech company comparator benchmarks are weighted at 33% our executive peer group are set forth below:

Medical Device Peers. Bovie Medical, DexCom, Endocare, Endologix, Hansen Medical, Insulet Corporation, NM Neuroscience, Oculus Innovative Sciences, Power Medical Interventions, SenoRx, TranS1, and Vyteris Holdings

Biotechnology Peers. ACADIA Pharmaceuticals, Anika Therapeutics, Cytori Therapeutics, Dynavax Technolog Therapeutics, Renovis, Rigel Pharmaceuticals, Unigene Laboratories and Vical.

Independent Compensation Consultant

The compensation committee has historically engaged Compensia, Inc., an independent outside consulting firm, t committee on matters related to executive officer compensation. Specifically, Compensia conducts a biennial revi our Executive Peer Group to provide information on total compensation for named executive officers. Compensia compensation committee with relevant market data, updates on market trends, advice and guidance on compensat administration.

Targeted Compensation

Our compensation committee strives to set compensation targets that are competitive with the compensation pract
group. It relies on proxy statements and its compensation consultant, Compensia for data on market pay practices
ability to attract and retain key executive officers the compensation committee formalized an executive pay philos
positions the compensation of our executive officers between the 50th and 75th percentiles of the Executive Peer

	Target Pay Position	
Base Salary	**Annual Performance Bonus**	**Long-Term Incentives**
62.5th Percentile of the Executive Peer Group	50th Percentile of the Executive Peer Group	50th Percentile of the Executive Pe Group

2009 Compensation

In January 2009, we announced that we had engaged Piper Jaffray & Co. to assist us in pursuing strategic alternat sale of some or all of our assets or other types of merger or acquisition transactions intended to maximize shareho ongoing efforts to explore such strategic alternatives and the uncertainty as to the structure of any strategic transa or whether we will consummate a transaction at all, the compensation committee elected not to make any adjustm 2009. In addition, the compensation committee has not established any equity incentive program for 2009, and ex program described below, has not established any non-equity incentive program.

In January 2009, upon the recommendation of our compensation committee, our board of directors established a r for certain employees, including our executive officers. The program was established in order to provide an incen continue their employment with the Company in order to complete the headcount reduction and facilitate a strateg amounts for the officers are set forth below:

Name	**Title**
Gregory D. Casciaro	President and Chief Executive Officer
Timothy D. Kahlenberg	Chief Financial Officer
Randolph E. Campbell	Chief Technical Officer
Philippe Marco	Vice President, Quality Assurance, Clinical and Regulatory Affairs
Anne-Marie Hodkinson	Vice President, Human Resources

March 31, 2009 was the last day of employment for our Vice President of Human Resources, Anne-Marie Hodkin Officer, Timothy D. Kahlenberg. Mr. Kahlenberg continues to provide services to us as a consultant. Ms. Hodki were paid the applicable retention amounts set forth above. On March 31, 2009, $98,980 of Randolph E. Campbe payable. The remainder will be paid to Mr. Campbell provided he remains employed through an additional retent

Components of Executive Compensation

Our executive compensation programs consist of three major components to reward and motivate our executive o non-equity incentives and long-term equity incentives.

Individual performance has a significant impact on determining each compensation component. Each executive o
measured based on a thorough review of his or her contributions toward achievement of corporate goals and objec
other than Gregory D. Casciaro, our President and Chief Executive Officer, this annual review is conducted by M
feedback of peers and board members and then presented to our compensation committee for review and commer
committee conducts Mr. Casciaro s review with the chairman of the board soliciting input from board members.

Base Salary. Our base salary program focuses on remaining competitive, paying for performance, and properly c executives with a broad scope of responsibilities. Salary levels are also adjusted based on the knowledge, skills ar brings to his or her role.

Generally, in the fourth quarter of each year, the executive officers annual base salaries for the following year ar the compensation committee based on performance during the calendar year. Salary increases are based on a num

- individual performance during the calendar year;
- salary relative to the Executive Peer Group;
- past performance and salary increases; and
- scope, complexity and level of responsibility.

The compensation committee reviews and approves base salaries for our named executive officers annually follow criteria.

Non-Equity Incentive Programs

2008 Non-Equity Actual Payments. During 2008, our Chief Executive Officer, Gregory D. Casciaro, was eligible incentive program payments based upon the achievement of certain milestones and corporate objectives. Our com generally determines these milestones by the end of the first quarter of each year and assesses Mr. Casciaro s ind the milestones throughout the year. Non-equity incentive amounts at threshold, target and maximum levels were b seven regulatory, operational and financial milestones. The threshold, target and maximum amounts represent the milestones are achieved at the threshold, target and maximum performance levels, respectively. Because non-equ based on the achievement of separate milestones, actual amounts paid could be less than the threshold, target and but not all, milestones were achieved at their respective performance levels. Each respective milestone was deter committee at the beginning of the calendar year. If all 2008 milestones were achieved at the target level, Mr. Casc non-equity incentive payment equal to 50% of his 2008 annual salary. If all milestones were achieved at the thres received a payment equal to 75% of the target amount. If all milestones were achieved at the maximum level, he payment equal to 125% of the target amount. Based on this structure, Mr. Casciaro would not have earned any no if no milestones were met and would have earned up to, but not more than, a maximum non-equity incentive of $ were achieved at the maximum performance level, as follows:

Threshold	Target	Maximum
$ 106,380	$ 177,300	$ 221,625

Mr. Casciaro s actual earnings under the 2008 Non-Equity Incentive Program, based on the achievement of one c were $26,595 which amount was paid after verification and approval by our compensation committee.

The structure of the non-equity incentive program for the named executive officers was similar to that for Mr. Cas officer s target level non-equity incentive was equal to 30% of his or her base salary, and payments were tied to a regulatory, financial and operational corporate milestones. As with Mr. Casciaro s program, the threshold level p target level payments and the maximum payments were 125% of the target level payments, as follows:

Named Executive Officer	Title	Threshold	Targ
Timothy D. Kahlenberg	Chief Financial Officer	$ 59,513	$
Randolph E. Campbell	Chief Technical Officer	$ 59,153	$
Philippe Marco	Vice President of Quality Assurance, Clinical and Regulatory Affairs	$ 53,865	$

Actual earnings under the 2008 Non-Equity Incentive Program were based on the achievement of one objective a verified and approved by the compensation committee and were as follows:

Named Executive Officer	Payment
Timothy D. Kahlenberg	$ 14,880
Randolph E. Campbell	$ 15,353
Philippe Marco	$ 13,466

At the time the 2008 Non-Equity Incentive Program was established in the fourth quarter of 2007, Anne-Marie H of the corporation however, she subsequently became an officer in the first quarter of 2008. For 2008, the compe the payment of a bonus to Ms. Hodkinson in the amount of $10,294.

Finally, in addition to the amounts set forth above, the Company s Board of Directors approved the payment of $ Casciaro and Timothy D. Kahlenberg. These payments were made in the first quarter of 2009 to fulfill commitme resulting from a reduction in 2008 equity incentive grants made to Mr. Casciaro and Mr. Kahlenberg and their acc their equity incentive grants at above market exercise prices.

2008 ***Stock Option Grants.*** We believe equity ownership is important to provide our executive officers with long value for our stockholders. In 2007, our board of directors implemented an equity incentive program for which all Company prior to July 1, 2007 were eligible, including executive officers. The program was intended to motivate certain corporate goals, to encourage retention, and to recognize performance. The program considered each offic measured on a scale of 1 to 4. In determining eligibility for a stock option award and the number of stock options performance was given a 50% weighting. The achievement of certain predetermined corporate objectives was als Targeted awards were benchmarked at the market median of our Executive Peer Group. Following completion of performance review and analysis of the achievement of identified corporate objectives for 2007 (one of three corp achieved); individual awards were made to our executives utilizing the aforementioned calculation. Mr. Casciaro of 81,225 shares. Stock option grants for the other officers ranged from 14,575 shares to 33,345 shares. The opti employees on January 29, 2008 following an automatic increase in our stock option pool, at an exercise price of $ vesting over a three year period commencing on the date of grant.

On March 31, 2008, options for 2008 were granted to employees at an exercise price of $5.00 per share with mon period commencing on the date of grant. These grants were made to approximately 120 individuals, including ou

In August 2008, under an annual stock option refresh program, each of our officers also received a refresh stock o
industry and market practices. Target ranges for the number of options granted to officers were established by ou
utilizing market data from

Compensia. For each officer, the August 2008 grant, when added to the options previously granted to that officer the applicable target range. Within the target ranges, the number of options granted was based on performance ev made at an exercise price of $2.10 per share with monthly vesting over four years, except for the options granted Mr. Kahlenberg which were made at an exercise price of $4.50 per share.

Consistent with our practice in 2008, in the event recruiting resumes at the Company, our compensation committe options to all newly hired employees, other than executive officers, within stock option guidelines approved by ou the grants reviewed by the compensation committee are outside the range contained within the new hire stock opt obtain approval from our board in addition to the compensation committee. Each executive officer is initially prov when he or she is hired or promoted based upon his or her position and relevant prior experience. These initial gra four year period commencing on the date employment starts or the promotion occurs, with 25% of the options gra anniversary of that date and the remaining options vesting monthly thereafter. We spread the vesting of our option compensate executives for their contribution over a period of time. In addition to the initial option grants, our com recommends, and our board grants, additional options to retain our executives and combine the achievement of co individual performance. Options are granted based on a combination of individual contributions and general corpo including clinical trial enrollment, product development and financial management. For example, if we were to hi business development, we would provide such executive with an initial option grant for a number of shares that is data that we receive from Compensia for comparable companies in the Executive Peer Group and information we compensation surveys. We would target a range between the 50th and 75th percentile of the levels at such compar annual basis, our compensation committee would assess the appropriate individual and corporate goals for this ex additional option grants based upon the achievement by the executive of both individual and corporate goals. If re expect to continue to provide new employees with initial option grants in 2009 to provide long-term compensatio continue to rely on performance-based and retention grants in 2009 to provide additional incentives for current em compensation committee and board may consider awarding additional or alternative forms of equity incentives, su stock, restricted stock units and other performance based awards.

The specific provisions of our equity incentive plans are as set forth below:

2002 Stock Plan. Our sole director at the time adopted our 2002 Stock Plan in July 2002, and our stockholders ap in July 2002. Our board has determined not to grant any additional awards under the 2002 Stock Plan, however, th continue to govern the terms and conditions of the outstanding awards granted thereunder.

A total of 3,146,711 shares of our common stock are authorized for issuance under the 2002 Stock Plan. As of De purchase a total of 1,205,361 shares of our common stock were issued and outstanding, and a total of 1,941,350 sh had been issued upon the exercise of options and stock purchase rights granted under the 2002 Stock Plan.

Our 2002 Stock Plan provides for the grant of options and stock purchase rights to our service providers. Stock pu nonstatutory stock options may be granted to our employees, directors and consultants, and incentive stock option Section 422 of the Internal Revenue Code of 1986, as amended, or the Code, may be granted only to our employe committee administers the 2002 Stock Plan. The administrator has the authority to determine the terms and condit purchase rights granted under the 2002 Stock Plan.

Our 2002 Stock Plan does not allow for the transfer of awards other than by will or the laws of descent and distrib of an award may exercise such award during his or her lifetime.

Our 2002 Stock Plan provides that in the event of our merger with or into another corporation, or a sale of substar successor corporation or its parent or subsidiary will assume or substitute for each outstanding stock purchase rig outstanding stock purchase rights or options are not assumed or substituted, they will become fully vested and exe from the date the administrator provides notice of the vesting of outstanding options and stock purchase rights and such 15-day period.

2006 Equity Incentive Plan

Our board adopted, and our stockholders approved, our 2006 Equity Incentive Plan in August 2006. The 2006 Eq effective upon completion of our initial public offering in February 2007. In April 2008, our board adopted the A Incentive Plan, or the Amended Plan, and in June 2008, our stockholders approved the Amended Plan. The reaso were to satisfy certain provisions of Section 162(m) of the Internal Revenue Code and to increase the number of s under the plan by 900,000 shares.

Our Amended Plan provides for the grant of incentive stock options, within the meaning of Section 422 of the Co the grant of nonstatutory stock options, restricted stock, restricted stock units, stock appreciation rights, performa shares to our employees, directors and consultants.

As of December 31, 2008, 2,669,413 shares of our common stock were reserved for issuance pursuant to the Ame those shares were issued and outstanding. In addition, the shares reserved for issuance under our Amended Plan i reserved but unissued under the 2002 Stock Plan as of January 31, 2007 (b) shares returned to the 2002 Stock Pla of options or the repurchase of shares (provided that the maximum number of shares that may be added to the 200 pursuant to (a) and (b) is 600,000 shares). The number of shares available for issuance under the Amended Plan i day of each fiscal year by an amount equal to the lesser of (i) 4% of the outstanding shares of common stock as o immediately preceding fiscal year; (ii) 1,500,000 shares; or (iii) an amount of shares determined by our board.

The board of directors, or our compensation committee, or a committee of directors or of other individuals satisfy appointed by the board of directors, referred to below as the Administrator will administer the Amended Plan. officers and key employees, the members of the committee must qualify as non-employee directors under Rule Exchange Act of 1934, or the Exchange Act, and as outside directors under Section 162(m) of the Internal Rev amended, or the Code, so that we can receive a federal tax deduction for certain compensation paid under the Am

Subject to the terms of the Amended Plan, the Administrator has the sole discretion to select the employees, cons will receive Awards, to determine the terms and conditions of Awards, to modify or amend each Award, subject t Amended Plan, and to interpret the provisions of the Amended Plan and outstanding Awards. The Administrator program under which (i) outstanding Awards may be surrendered or cancelled in exchange for Awards of the sam type, or cash, (ii) participants would have the opportunity to transfer any outstanding Awards to a financial institu selected by the Administrator, and/or (iii) the exercise price of an outstanding Award could be reduced.

The Amended Plan provides for an automatic grant to outside directors of an option to purchase 30,000 shares, re
Award, on the date the person first becomes an outside director plus an additional option to purchase 10,000 share
Annual Award, on the date of each annual stockholder s meeting, provided he or she will have served on the Boa
six (6) months. Each Initial Award will vest and become exercisable as to one-third (1/3) of the shares subject to t
anniversary of its date of grant and each Annual Award will

vest and become exercisable as to 100% of the shares on the day prior to the following year s annual stockholder than December 31 of the calendar year following the calendar year during which the Annual Award is granted, pr continues to serve as a director through such dates.

The Administrator is able to grant nonstatutory stock options and incentive stock options under the Amended Plan determines the number of shares subject to each option, although the Amended Plan provides that a participant ma more than 600,000 shares in any fiscal year, except in connection with his or her initial employment with the Com she may be granted an option covering up to an additional 1,200,000 shares.

The Administrator determines the exercise price of options granted under the Amended Plan, provided the exercis to the fair market value of our common stock on the date of grant. In addition, the exercise price of an incentive st participant who owns more than 10% of the total voting power of all classes of our outstanding stock must be at le value of the common stock on the grant date.

The term of each option will be stated in the Award agreement. The term of an option may not exceed ten years, e any participant who owns more than 10% of the voting power of all classes of our outstanding capital stock, the te option may not exceed five years.

After a termination of service with the Company, a participant will be able to exercise the vested portion of his or time stated in the Award agreement. If no such period of time is stated in the participant s Award agreement, the able to exercise his or her option for (i) three months following his or her termination for reasons other than death months following his or her termination due to death or disability.

Awards of restricted stock are rights to acquire or purchase shares of our common stock, which vest in accordance conditions established by the Administrator in its sole discretion. For example, the Administrator may set restricti achievement of specific performance goals. The Administrator, in its discretion, may accelerate the time at which be removed. The Award agreement generally will grant us a right to repurchase or reacquire the shares upon the te service with the Company for any reason, including death or disability. The Administrator will determine the num pursuant to an Award of restricted stock, but no participant will be granted a right to purchase or acquire more tha restricted stock during any fiscal year, except that a participant may be granted up to an additional 600,000 shares connection with his or her initial employment with us.

Awards of restricted stock units result in a payment to a participant only if the vesting criteria the Administrator e example, the Administrator may set vesting criteria based on the achievement of specific performance goals. The vest at a rate determined by the Administrator; provided, however, that after the grant of restricted stock units, the discretion, may reduce or waive any vesting criteria for such restricted stock units. Upon satisfying the applicable participant will be entitled to the payout as determined by the Administrator. The Administrator, in its sole discret restricted stock units in cash, shares, or a combination thereof. Restricted stock units that are fully paid in cash wi shares available for grant under the Amended Plan. On the date set forth in the Award agreement, all unearned res forfeited to the Company. The Administrator determines the number of restricted stock units granted to any partic no participant may be granted more than 300,000 restricted stock units during any year, except that the participant additional 600,000 restricted stock units in connection with his or her initial employment with us.

The Administrator is able to grant stock appreciation rights, or SARs, which are the rights to receive the appreciat
common stock between the exercise date and the date of grant. We can pay the appreciation in cash, shares of cor
thereof. The Administrator, subject to the terms of the Amended Plan, has complete discretion to determine the te
granted under the Amended Plan, provided, however, that the exercise price may not be less than 100% of the fair
the date of grant and the term of a SAR may not exceed ten years. No participant will be granted SARs covering r
during any fiscal year, except that a participant may be granted SARs covering up to an additional 1,200,000 shar
her initial employment with us.

After termination of service with the Company, a participant is able to exercise the vested portion of his or her SA
stated in the Award agreement. If no such period of time is stated in a participant s Award agreement, a participa
exercise his or her vested SARs for the same period of time as applies to stock options.

The Administrator is able to grant performance units and performance shares, which are Awards that result in a pa
if the performance goals or other vesting criteria the Administrator may establish are achieved or the Awards othe
performance units and performance shares are paid, in the sole discretion of the Administrator, in the form of cash
thereof. The Administrator establishes performance or other vesting criteria in its discretion, which, depending on
met, will determine the number and/or the value of performance units and performance shares to be paid out to pa
units and performance shares vest at a rate determined by the Administrator; provided, however, that after the gra
performance share, the Administrator, in its sole discretion, may reduce or waive any performance objectives or o
such performance unit or performance share. During any fiscal year, no participant receives more than 300,000 pe
participant will receive performance units having an initial value greater than $5,000,000, except that a participan
performance shares covering up to an additional 600,000 shares in connection with his or her initial employment
have an initial value established by the Administrator on or before the date of grant. Performance shares will have
fair market value of a share of our common stock on the grant date.

Awards of restricted stock, restricted stock units, performance shares, performance units and other incentives und
made subject to the attainment of performance goals relating to one or more business criteria within the meaning
Code and may provide for a targeted level or levels of achievement including: earnings per share, enrollment rate
financings and capital raising events, operating cash flow, operating income, product development, product appro
before-tax, regulatory approval, regulatory filings, return on assets, return on equity, return on sales, revenue, and
performance goals may differ from participant to participant and from Award to Award, may be used alone or in
measure our performance as a whole or one of our business units, and may be measured relative to a peer group o

To the extent necessary to comply with the performance-based compensation provisions of Section 162(m) of the
Award granted subject to performance goals, within the first twenty-five percent (25%) of the performance period
ninety (90) days following the commencement of any performance period (or such other time as may be required
Section 162(m) of the Code), the Administrator will, in writing: (i) designate one or more participants to whom an
(ii) select the performance goals applicable to the performance period, (iii) establish the performance goals, and a
applicable, which may be earned for such performance goals, and (iv) specify the relationship between performan
such Awards, as applicable, to be earned by each participant for such performance period. Following the completi
period, the Administrator will certify in writing whether the applicable performance goals have been achieved for
determining the amounts earned by a participant, the Administrator will have the right to reduce or eliminate, but

increase, the amount payable at a given level of performance to take into account additional factors that the Admi to the assessment of individual or corporate performance for the performance period. A Participant will be eligibl pursuant to an Award for a performance period only if the performance goals for such period are achieved.

Awards granted under the Amended Plan are generally not transferable, and all rights with respect to an Award gr generally will be available during a participant s lifetime only to the participant.

In the event of a merger or Change in Control, each outstanding Award will be treated as the Administrator deter limitation, that each Award be assumed or an equivalent option or right substituted by the successor corporation o the successor corporation. The Administrator shall not be required to treat all Awards similarly in the transaction. successor corporation does not assume or substitute for the Award, unless the Administrator provides otherwise, t in and have the right to exercise all of his or her outstanding Options and Stock Appreciation Rights, including sh Awards would not otherwise be vested or exercisable, all restrictions on Restricted Stock and Restricted Stock Un respect to Awards with performance-based vesting, all performance goals or other vesting criteria will be deemed percent (100%) of target levels and all other terms and conditions met. In addition, if an Option or Stock Appreci substituted in the event of a Change in Control, the Administrator will notify the participant in writing or electron Stock Appreciation Right will be fully vested and exercisable for a period of time determined by the Administrato the Option or Stock Appreciation Right will terminate upon the expiration of such period.

With respect to Awards granted to an outside director that are assumed or substituted for, if on the date of or follo substitution the participant s status as a director or a director of the successor corporation, as applicable, is termi voluntary resignation by the participant, unless such resignation is at the request of the acquiror, then the participa the right to exercise options and/or stock appreciation rights as to all of the shares underlying such Award, includi not otherwise be vested or exercisable, all restrictions on restricted stock and restricted stock units will lapse, and units and performance shares, all performance goals or other vesting criteria will be deemed achieved at one hund levels and all other terms and conditions met.

The Administrator will have the authority to amend, alter, suspend or terminate the Amended Plan, except that sto required for any amendment to the Amended Plan to the extent required by any applicable laws. No amendment, termination of the Amended Plan will impair the rights of any participant, unless mutually agreed otherwise betw Administrator and which agreement must be in writing and signed by the participant and us. The Amended Plan w 2016, unless the Board of Directors terminates it earlier.

Federal Tax Aspects

The following paragraphs are a summary of the general federal income tax consequences to U.S. taxpayers and th granted under the Amended Plan. Tax consequences for any particular individual may be different.

No taxable income is reportable when a nonstatutory stock option with an exercise price equal to the fair market v on the date of grant is granted to a participant. Upon exercise, the participant will recognize ordinary income in a of the fair market value, on the exercise date, of the shares purchased over the exercise price of the option. Any ta connection with an option exercise by an employee of ours is subject to tax withholding by

us. Any additional gain or loss recognized upon any later disposition of the shares would be capital gain or loss.

As a result of Code Section 409A and the Treasury regulations promulgated thereunder, or Section 409A, howeve and stock appreciation rights granted with an exercise price below the fair market value of the underlying stock or be taxable to the recipient in the year of vesting in an amount equal to the difference between the then fair market stock and the exercise price of such awards and may be subject to an additional 20% federal income tax plus pena during each subsequent tax year, until the option is exercised or terminates, the option may be subject to additiona taxes, plus interest charges, on any increase in value of the underlying stock. Finally, certain states, such as Califo tax provisions.

No taxable income is reportable when an incentive stock option is granted or exercised, except for purposes of the which case taxation is the same as for nonstatutory stock options. If the participant exercises the option and then l disposes of the shares more than two years after the grant date and more than one year after the exercise date, the price and the exercise price will be taxed as capital gain or loss. If the participant exercises the option and then lat of the shares before the end of the two- or one-year holding periods described above, he or she generally will have of the sale equal to the fair market value of the shares on the exercise date, or the sale price if less, minus the exer

No taxable income is reportable when a stock appreciation right with an exercise price equal to the fair market va on the date of grant is granted to a participant. Upon exercise, the participant will recognize ordinary income in an of cash received and the fair market value of any shares received. Any additional gain or loss recognized upon any shares would be capital gain or loss.

A participant generally will not have taxable income at the time an Award of restricted stock, restricted stock unit performance units are granted. Instead, he or she will recognize ordinary income in the first taxable year in which shares underlying the Award becomes either (i) freely transferable, or (ii) no longer subject to substantial risk of f recipient of a restricted stock Award may elect to recognize income at the time he or she receives the Award in an market value of the shares underlying the Award, less any cash paid for the shares, on the date the Award is grant

Code Section 409A, which was added by the American Jobs Creation Act of 2006, provides certain new requirem deferred compensation arrangements. Awards granted with a deferral feature will be subject to the requirements o discount stock options and stock appreciation rights discussed above. If an Award is subject to and fails to satisfy Section 409A, the recipient of that Award may recognize ordinary income on the amounts deferred under the Awa which may be prior to when the compensation is actually or constructively received. Also, if an Award that is sub comply with Section 409A s provisions, Section 409A imposes an additional 20% federal income tax on compen income, as well as interest on such deferred compensation. Some states may also apply a penalty tax. For example penalty tax in addition to the 20% federal penalty tax.

The Company generally will be entitled to a tax deduction in connection with an Award under the Amended Plan ordinary income realized by a participant and at the time the participant recognizes such income (for example, the stock option). Special rules limit the deductibility of compensation paid to the Company s Chief Executive Offic officer) and to each of its three most highly compensated executive officers for the taxable year, other than the pri principal financial officer. Under Code Section 162(m), the annual compensation paid to any of these specified ex only to the extent that it

does not exceed $1,000,000. However, the Company can preserve the deductibility of certain compensation in ex
conditions of Section 162(m) are met. These conditions include stockholder approval of the Amended Plan, settin
Awards that any individual may receive and for Awards other than certain stock options, establishing performanc
before the Award actually will vest or be paid. The Amended Plan has been designed to permit the Administrator
as performance-based for purposes of satisfying the conditions of Section 162(m), thereby permitting the Compar
federal income tax deduction in connection with such Awards.

401(k) Plan

We maintain a retirement savings plan, or a 401(k) Plan, for the benefit of our eligible employees. Employees eli
401(k) Plan are those employees who have attained the age of 21. Currently, employees may elect to defer their c
statutorily prescribed limit. We may, but have not, matched employee contributions or made discretionary contrib
employee s interests in his or her deferrals are 100% vested when contributed. The 401(k) Plan is intended to qua
501(a) of the Internal Revenue Code. As such, contributions to the 401(k) Plan and earnings on those contributior
employees until distributed from the 401(k) Plan, and all contributions are deductible by us when made.

Executive Time Off

Our executive officers do not receive a guaranteed amount of Paid Time Off (PTO), but participate instead in a
executive officers are expected to manage personal time off in a manner that does not impact performance or achi
December 31, 2005, executives participated in the PTO benefit program which was offered to all of our employee
termination, executives who participated will be entitled to payment of their accrued benefits that existed at Dece
or promoted since the implementation of the Executive Time Off policy will be transitioned to the officer plan at
Consistent with the balance of executive officers, any accrued but unused PTO will be paid at termination. We ha
earned, but unpaid PTO for its named executive officers.

2006 Employee Stock Purchase Plan

Our executive officers and all of our other employees may participate in our 2006 Employee Stock Purchase Plan
them the opportunity to participate in the 2006 Employee Stock Purchase Plan provides them further incentive to
and accomplishing our corporate goals.

The specific provisions of our 2006 Employee Stock Purchase Plan are set forth below.

Our Board adopted, and our stockholders approved, our 2006 Employee Stock Purchase Plan in August 2006 and
completion of our initial public offering in February 2007. A total of 1,190,468 shares of our common stock are a
December 31, 2008, a total of 111,921 shares of our common stock had been issued through the 2006 Employee S
addition, our 2006 Employee Stock Purchase Plan provides for annual increases in the number of shares available
Employee Stock Purchase Plan on the first day of each fiscal year equal to the lesser of:

- 3% of the outstanding shares of our common stock on the first day of such fiscal year;
- 1,000,000 shares; or
- such other amount as may be determined by our Board.

Our compensation committee administers the 2006 Employee Stock Purchase Plan. Our compensation committee authority to interpret the terms of the 2006 Employee Stock Purchase Plan and determine eligibility to participate our 2006 Employee Stock Purchase Plan as described below.

All of our employees are eligible to participate if they are employed by us (or any participating subsidiary) for at more than five months in any calendar year. However, an employee may not be granted an option to purchase sto Stock Purchase Plan if such employee:

- immediately after the grant would own stock possessing 5% or more of the total combined voting pow our capital stock; or

- holds rights to purchase stock under all of our employee stock purchase plans that accrue at a rate that stock for each calendar year.

Our 2006 Employee Stock Purchase Plan is intended to qualify under Section 423 of the Code. Each offering peri periods, which will be the approximately six-month period commencing with one exercise date and ending with t offering periods are scheduled to start on the first trading day on or after May 15 and November 15 of each year, offering period, which commenced on February 1, 2007 (the date of our IPO) and ended on November 15, 2007.

Our 2006 Employee Stock Purchase Plan permits participants to purchase common stock through payroll deducti eligible compensation, which includes a participant s base straight time gross earnings, certain commissions, ove exclusive of payments for incentive compensation, bonuses and other compensation. A participant may purchase during a six-month purchase period.

Amounts deducted and accumulated by the participant are used to purchase shares of our common stock at the en period. The purchase price of the shares will be 85% of the lower of the fair market value of our common stock o offering period or on the exercise date. If the fair market value of our common stock on the exercise date is less t the first trading day of the offering period, participants will be withdrawn from the current offering period followi on the purchase date and will be automatically re-enrolled in a new offering period. Participants may end their pa an offering period, and will be paid their accrued payroll deductions that have not yet been used to purchase share Participation ends automatically upon termination of employment with us.

A participant may not transfer rights granted under the 2006 Employee Stock Purchase Plan other than by will, th distribution, or as otherwise provided under the 2006 Employee Stock Purchase Plan.

In the event of our merger or change in control, as defined under the 2006 Employee Stock Purchase Plan, a succ assume or substitute for each outstanding option. If the successor corporation refuses to assume or substitute for t then in progress will be shortened, and a new exercise date will be set. The administrator will notify each particip been changed and that the participant s option will be exercised automatically on the new exercise date unless pr

has withdrawn from the offering period.

Our 2006 Employee Stock Purchase Plan will automatically terminate in 2016, unless we terminate it sooner. In J
suspended when we announced the initiative to reduce our headcount by 94%. Our board has the authority to ame
2006 Employee Stock Purchase Plan, except that, subject to certain exceptions described in the 2006 Employee S

Purchase Plan, no such action may adversely affect any outstanding rights to purchase stock under our 2006 Empl

Securities Authorized for Issuance Under Equity Compensation Plans

The following table provides information regarding common stock that may be issued upon the exercise of option our 2002 Stock Plan, 2006 Equity Incentive Plan and 2006 Employee Stock Purchase Plan as of December 31, 20 compensation plans have been approved by our stockholders.

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (1) (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)
Equity compensation plans approved by security holders	2,510,678	$ 5
Equity compensation plan not approved by security holders		N
Total	2,510,678	

(1) Does not include an outstanding option to purchase 5,209 shares which was issued outside o

(2) Securities remaining available for future issuance under equity compensation plans includes for issuance under the 2006 Employee Stock Purchase Plan.

2008 Summary Compensation Table

The following table sets forth summary compensation information for the years ended December 31, 2008 and De chief executive officer, chief financial officer and each of our other three most highly compensated executive offi fiscal year. We refer to these persons as our named executive officers. Except as provided below, none of our nam received any other compensation required to be disclosed by law or in excess of $10,000 annually.

Name and Principal Position	Year	Salary	Bonus	Option Awards	Non Equity Incentive Plan Compensation
Gregory D. Casciaro	2008	$ 354,598	$ 62,256(5)	$ 689,361	$ 26,595(
President, Chief Executive Officer and Director	2007	340,960		516,184	115,000(

Timothy D. Kahlenberg	2008	264,531	62,256(5)	470,407	14,880(
Chief Financial Officer	2007	236,508		398,975	19,320(
Randolph E. Campbell	2008	269,604		203,813	15,353(
Chief Technical Officer	2007	257,688		143,879	21,050(
Philippe H. Marco	2008	239,388		175,368	13,466(
Vice President of Quality Assurance, Clinical and Regulatory Affairs	2007	232,374		115,553	18,981(
Ann-Marie Hodkinson	2008	182,999		138,213	10,294(
Vice President of Human Resources	2007	87,913(3)	5,000(4)	20,020	

(1) Represents amounts earned by Mr. Casciaro under our non-equity incentive program for the clinical, financing and other corporate objectives.

(2) Represents amounts earned by executives under our non-equity incentive program for achie objectives.

(3) Ms. Hodkinson commenced employment in June 2007 at an annual salary of $173,000, and Company in January 2008.

(4) Represents a hiring bonus made to Ms. Hodkinson on her offer of employment.

(5) Represents payments made to Mr. Casciaro and Mr. Kahlenberg based on a commitment re their 2008 equity incentive grants and the acceptance of the remainder of the related grants at above market prices

Grants of Plan-Based Awards in 2008

The following table lists grants of plan-based awards made to our named executive officers in 2008 and the relate compensation for 2008.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1)			All Other Option Awards: Number of Securities Underlying Options	Exercise or Price of Op Awards
		Threshold	Target	Maximum		
Gregory D. Casciaro	12/27/2007	$ 106,380	$ 177,300	$ 221,625		
	1/29/2008				81,225	$
	3/31/2008				60,918	
	8/13/2008				33,247	
Timothy D. Kahlenberg	12/27/2007	59,513	79,350	99,188		
	1/29/2008				33,325	
	3/31/2008				24,993	
	8/13/2008				16,165	
Randolph E. Campbell	12/27/2007	59,153	78,870	98,588		
	1/29/2008				27,075	
	3/31/2008				20,306	
	8/13/2008				25,000	
Philippe H. Marco	12/27/2007	53,865	71,820	89,775		
	1/29/2008				27,075	
	3/31/2008				20,306	
	8/13/2008				25,000	
Anne-Marie Hodkinson (2)	12/27/2007	41,175	54,900	68,625		

1/29/2008	60,000	
1/29/2008	1,269	
3/31/2008	951	
8/13/2008	42,000	

(1) The amounts represent the threshold, target and maximum awards established for the 2008 non-equity co discussed in the section entitled Compensation *Discussion and Analysis*. The actual amounts earned by our Na pursuant to these awards are set forth in the Non-Equity Incentive Plan Compensation column of the table entitled *Table*.

(2) Ms. Hodkinson became an officer of the Company in January 2008.

(3) Mr. Casciaro and Mr. Kahlenberg each received a payment of $62,256 in the first quarter of 2009 based reduction in this equity incentive award granted at above market prices.

Equity Incentive Awards Outstanding as of December 31, 2008

The following table lists the outstanding equity incentive awards held by our named executive officers as of Dece

	Option Awards					
Name	**Number of Securities Underlying Unexercised Options Exerciable**	**Number of Securities Underlying Unexercised Options Unexercisable**	**Option Exercise Price**	**Option Expiration Date**	**Vesting Commencement Date**	**Number o or Units of tha Have No (5**
Gregory D. Casciaro	134,000(1)		$0.40	2/1/2015	2/1/2005(2)	
	104,000(1)		1.50	2/1/2016	2/1/2006(2)	
	125,000(1)		5.20	6/5/2016	4/27/2006(2)	
	24,818	56,407	9.96	1/29/2018	2/1/2008(4)	
	10,153	50,765	5.00	3/31/2018	3/31/2008(2)	
	2,770	30,477	4.50(6)	8/13/2018	8/13/2008(2)	
Timothy D. Kahlenberg	168,911(1)		3.50	5/1/2016	5/1/2006(3)	
	10,182	23,143	9.96	1/29/2018	2/1/2008(4)	
	4,165	20,828	5.00	3/31/2018	3/31/2008(2)	
	1,347	14,818	4.50(6)	8/13/2018	8/13/2008(2)	
Randolph E. Campbell	61,634(1)		3.50	5/1/2016	5/1/2006(2)	
					2/1/2005(2)	
					8/3/2005(2)	
	8,272	18,803	9.96	1/29/2018	2/1/2008(4)	
	3,384	16,922	5.00	3/31/2018	3/31/2008(2)	
	2,083	22,917	2.10	8/13/2018	8/13/2008(2)	

Philippe H. Marco					2/1/2005(2)
					8/3/2005(2)
	49,500(1)		3.50	5/1/2016	5/1/2006(2)
	8,272	18,803	9.96	1/29/2018	2/1/2008(4)
	3,384	16,922	5.00	3/31/2018	3/31/2008(2)
	2,083	22,917	2.10	8/13/2018	8/13/2008(2)
Anne-Marie Hodkinson	9,375	15,625	10.52	7/6/2017	6/28/2007(3)
	5,833	14,167	9.99	10/30/2017	10/30/2007(2)
	13,750	46,250	9.96	1/29/2018	2/1/2008(2)
	387	882	9.96	1/29/2018	2/1/2008(4)
	158	793	5.00	3/31/2018	3/31/2008(2)
	3,500	38,500	2.10	8/13/2018	8/13/2008(2)

(1) Option may be early exercised.

(2) The shares underlying this option vest 1/48 per month following the vesting commencemen

(3) 25% of the shares underlying this option vest on the one year anniversary of the vesting co 1/48 per month thereafter.

(4) The shares underlying this option vest 1/36 per month following the vesting commencemen

(5) The shares were issued pursuant to the exercise of early-exercise stock options to purchase These shares are subject to a right of repurchase held by us that will lapse over time.

(6) Mr. Casciaro and Mr. Kahlenberg each received a payment of $62,256 in the first quarter o acceptance of a reduction in this equity incentive award granted at above market prices.

Aggregated Option Exercises in 2008

	Option Awards	
Name	**Number of Shares Acquired on Exercise**	**Value Realized on Exercise (1)**
Gregory D. Casciaro		$
Timothy D. Kahlenberg	2,000	4,650
Randolph E. Campbell		
Philippe H. Marco		
Anne-Marie Hodkinson		

(1) Value realized is based on the fair market value of our common stock on the date of exercise minus the exerc
necessarily reflect proceeds actually received by the individual.

Employment Agreements

Employment with us is at will. We do not have employment agreements with any of our executive officers.

Nonqualified Deferred Compensation

None of our named executive officers participate in non-qualified defined contribution plans or other deferred co
by us. Our compensation committee, which is comprised solely of outside directors as defined for purposes of
may elect to provide our officers and other employees with non-qualified defined contribution or deferred compe
compensation committee determines that doing so is in our best interests.

2008 Director Compensation

The following table sets forth a summary of the compensation we paid to our non-employee directors in 2008.

Name	Fees Earned or Paid in Cash	Option Awards (1)	T
Henry A. Plain, Jr.	$ 60,000	$ 103,491(2)	$
Michael A. Carusi	35,000	29,264(3)	
Robert E. Flaherty	45,000	109,551(4)	
Michael L. Eagle	45,000	51,578(5)	
Christopher M. Smith	18,651	8,227(6)	
Arthur T. Taylor	18,651	8,227(6)	
Edward W. Unkart	50,000	121,928(7)	
Allan R. Will	35,000	29,264(8)	

(1) Amounts represent the expensed fair value of stock options granted in 2008, 2007 and 2006 SFAS 123(R) excluding the impact of estimated forfeitures.

(2) Options to purchase 45,000 shares were outstanding, of which 26,667 shares were exercisab

(3) Options to purchase 20,000 shares were outstanding, of which 10,000 shares were exercisab

(4) Options to purchase 50,000 shares were outstanding, of which 20,000 shares were exercisab

(5) Options to purchase 40,000 were outstanding, of which 10,000 shares were exercisable as o

(6) Options to purchase 30,000 shares were outstanding, of which no shares were exercisable a

(7) Options to purchase 50,000 shares were outstanding, of which 30,000 shares were exercisab

(8) Options to purchase 20,000 shares were outstanding, of which 10,000 shares were exercisab

The chairman of our board receives an annual retainer of $60,000 for his service to our Company and each of our
receives an annual retainer of $35,000 for his service on our board. The chairman of the audit committee receives
of $15,000 and the chairmen of our other two standing committees, the compensation committee and the nominat
committee, each receive an additional annual retainer in the amount of $10,000.

Our 2006 equity incentive plan provides that all non-employee directors will be eligible to receive all types of aw
stock options) under the 2006 equity incentive plan, including discretionary awards. Each non-employee director
except for those directors who become non-employee directors by ceasing to be employee directors, receives an a
stock option to purchase 30,000 shares of common stock upon such appointment. In addition, non-employee direc
for at least the preceding six months receive a subsequent nonstatutory stock option to purchase 10,000 shares of
following each annual meeting of our stockholders. All options granted under the automatic grant provisions will

ten years and an exercise price equal to fair market value on the date of grant. Each initial option to purchase 30,0
exercisable as to one-third of the shares subject to the option on each anniversary of its date of grant, provided the
remains a director on such dates. Each annual option to purchase 10,000 shares becomes exercisable as to 100% o
option on the day prior to the one-year anniversary of the date of such grant, provided the non-employee director
date.

We also reimburse each non-employee member of our board for out-of-pocket expenses incurred in connection w
committee meetings. In addition, we have in the past granted directors options to purchase our common stock pur
2002 Stock Plan. As explained above, our 2006 equity incentive plan provides for the automatic grant of options t
directors. See Stock Options 2006 equity incentive plan.

Potential Payments Following a Change in Control

The following summaries set forth potential payments payable to our executive officers upon termination of empl
in control of us under their current change of control agreements with us. The compensation committee of our boa
amend or add benefits to these arrangements as they deem advisable.

Executive Officers

We have entered into change of control agreements with Gregory D. Casciaro, Timothy D. Kahlenberg, Randolph
Marco that provide for severance benefits in the event that a covered employee s employment with us terminates
termination at any time within 12 months after a change of control as follows:

- all options held by the employee will become fully vested and any right we may have to repurchase an
employee will lapse; and

- certain health coverage and benefits for that employee will be paid by us until the earlier of six months
employee s termination or until the employee begins working at another company that offers comparable benefit

For the purpose of our change of control agreements, change of control means:

- any merger or consolidation of us with any other corporation that would result in our voting securities
prior to such transaction no longer continuing to represent (either by remaining outstanding or by being converted
surviving entity) more than 50% of the total voting power of the surviving entity outstanding immediately after su
or

- any person becoming the beneficial owner, directly or indirectly, of our securities representing 50% or
power represented by our then outstanding voting securities.

Under Mr. Marco s change of control agreement, change of control also includes a liquidation of the Compan
all of the Company s assets.

For the purpose of our change of control agreements, involuntary termination means:

- a significant reduction of the employee s duties, position or responsibilities relative to the employee
responsibilities in effect immediately prior to such reduction, or the removal of the employee from such position,
unless the employee is provided with comparable duties, position and responsibilities; provided,

however, that a reduction in duties, position or responsibilities solely by virtue of our being acquired and made pa
example, when our Chief Financial Officer remains as such following a Change of Control but is not made the Ch
acquiring corporation) shall not constitute an involuntary termination;

- a substantial reduction, without good business reasons, of the facilities and perquisites (including offic
available to the employee immediately prior to such reduction;

- a reduction of the employee s base salary as in effect immediately prior to such reduction;

- a material reduction in the kind or level of employee benefits to which the employee is entitled immed
with the result that the employee s overall benefits package is significantly reduced;

- the relocation of the employee to a facility or a location more than fifty (50) miles from his current loc

- any purported termination of the employee which is not effected as a result of (i) any act of personal d
employee in connection with his responsibilities as an employee which is intended to result in substantial persona
employee, (ii) employee s conviction of a felony which our board reasonably believes has had or will have a mat
reputation or business, (iii) a willful act by the employee which constitutes misconduct and is injurious to us, (iv)
by the employee of the employee s obligations to us after there has been delivered to the employee a written dem
which describes the basis for our belief that the employee has not substantially performed his duties, or (v) for wh
by us are not valid; or

- our failure to obtain the assumption of the change of control agreement by any successor entity.

Based on a market value of $0.27 per share as of December 31, 2008, and the number of options and shares held b
officers that were unvested as of December 31, 2008, the estimated value of acceleration of these options and sha
officer is shown in the following table, as well as the maximum value of benefits which would be paid on behalf o
of control.

Name	Value of Accelerated Options and Shares (1)	Value of Benefits in Change of Control
Timothy D. Kahlenberg	$	$ 10,773
Randolph E. Campbell		10,823
Philippe H. Marco		10,765
Anne-Marie Hodkinson		10,673

(1) All option exercises prices are above the market value of the Company s stock at December 31, 2008.

Gregory D. Casciaro

We have entered into a slightly different change of control agreement with Gregory D. Casciaro that provides for in the event that Mr. Casciaro s employment with us terminates as a result of his involuntary termination at any t as follows:

- all options held by him will become fully vested and any right we may have to repurchase any shares h
- monthly severance payments equal to his last monthly base salary prior to his termination for a period date of his termination; and
- certain health coverage and benefits for Mr. Casciaro will be paid until the earlier of 12 months from t until he begins employment with another company that offers comparable benefits.

In addition to the severance benefits described above, our change of control agreement with Mr. Casciaro also pro benefit. Upon a change of control without termination, Mr. Casciaro will immediately vest in 50% of the unvested then held by him and our right to repurchase 50% of shares previously purchased by him that are subject to vestin

The definitions for involuntarily termination and change of control discussed above for the change of contro other employees at the level of vice president or above are identical to those included in our change of control agr

Based on Mr. Casciaro s current base salary, we estimate that the value of his severance payments to be $354,958 $0.27 per share as of December 31, 2008, and the number of options held by Mr. Casciaro that were unvested as o estimate the value of acceleration of these options would have no value. The maximum value of his benefits that w of control would be $20,457.

Members of our Board of Directors

We have also entered into agreements with each non-employee member of our board under which all unvested sh
held by such director will become fully vested and immediately exercisable if such director is terminated without
change of control.

Additional Change of Control Provisions

Each of our 2002 Stock Plan, 2006 equity incentive plan and 2006 Employee Stock Purchase Plan also contains c
as described above. See Stock Options 2002 Stock Plan, 2006 Equity Incentive Plan and 2006 Employee Sto

Limitations on Liability and Indemnification

Our amended and restated certificate of incorporation and bylaws provide that we will indemnify our directors an
indemnify our other officers, employees and other agents, to the fullest extent permitted by the General Corporati
Delaware.

We have entered into indemnification agreements with our directors, executive officers and others. Under these ag
indemnify them against all expenses, judgments, fines, settlements and other amounts actually and reasonably inc
actual or threatened proceeding, if any of them may be made a party to such proceeding because he or she is or w
officers. We are obligated to pay these amounts only if the officer or director acted in good faith and in a manner
believed to be in, or not opposed to, our best interests. With respect to any criminal proceeding, we are obligated
the officer or director had no reasonable cause to believe that his or her conduct was unlawful. The indemnificatio
procedures that will apply in the event of a claim for indemnification there under.

In addition, our amended and restated certificate of incorporation provides that the liability of our directors for mo
eliminated to the fullest extent permissible under the General Corporation Law of the State of Delaware. This pro
restated certificate of incorporation does not eliminate a director s duty of care and, in appropriate circumstances
injunction or other forms of non-monetary relief would remain available. Each director continues to be subject to
director s duty of loyalty to us and for acts or omissions not in good faith or involving intentional misconduct or
This provision also does not affect a director s responsibilities under any other laws, such as the federal securities
laws.

Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended, may be permitted to
controlling persons pursuant to the foregoing provisions, or otherwise, we have been advised that, in the opinion o
indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

We have a directors and officers liability insurance that insures such persons against the costs of defense, settle
under certain circumstances. There is no pending litigation or proceeding naming any of our directors or officers a
is being sought, nor are we aware of any pending or threatened litigation that may result in claims for indemnifica
officer.

Compensation Committee Interlocks and Insider Participation

The members of our compensation committee are Robert E. Flaherty (chairperson), Henry A. Plain, Jr. and Micha
the compensation committee is an executive officer of our company. Henry A. Plain, Jr. served as our President, C
Chief Financial Officer from June 2002 to October 2004. No executive officer of our company currently serves or
any entity whose executive officers included a director of our company.

REPORT OF THE COMPENSATION COMMITTEE

The compensation committee has reviewed and discussed the Compensation Discussion and Analysis included in
management of the Company, and based upon those discussions, the committee has recommended to the Compan
Compensation Discussion and Analysis be included in this Annual Report.

The foregoing report is provided by the undersigned members of the compensation committee.

Robert E. Flaherty, Chair

Henry A. Plain, Jr.

Mike L. Eagle

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT STOCKHOLDER MATTERS

Security Ownership of Certain Beneficial Owners and Management

The following table provides information relating to the beneficial ownership of XTENT common stock as of Jan otherwise noted, by:

- each stockholder known by us to own beneficially more than 5% of our common stock;
- each of our executive officers named in the summary compensation table below (our Chief Executive Officer and our three other most highly compensated executive officers);
- each of our directors; and
- all of our directors and executive officers as a group.

The number of shares beneficially owned by each entity, person, director or executive officer is determined in acc SEC, and the information is not necessarily indicative of beneficial ownership for any other purpose. Under such includes any shares over which the individual has the sole voting power, shared voting power, or investment pow that the individual has the right to acquire within 60 days of January 24, 2009 through the exercise of any stock o number and percentage of shares beneficially owned is computed on the basis of 23,324,756 shares of XTENT of January 24, 2009. Shares of our common stock that a person has the right to acquire within 60 days of January outstanding for purposes of computing the percentage ownership of the person holding such rights, but are not de purposes of computing the percentage ownership of any other person, except with respect to the percentage owne executive officers as a group. To our knowledge, except as set forth in the footnotes to this table and subject to ap laws, each person or entity named in the table has sole voting and dispositive power with respect to the shares set or entity s name. The address for those persons for whom an address is not otherwise provided is c/o XTENT, In Menlo Park, California 94025-1118.

	Beneficial Ownership	
	Number of Shares	Options a Warran Exercisa Within Days
Beneficial Owner		
5% Stockholders		
Morgenthaler Partners VI, L.P.(1)	5,085,243	
Funds affiliated with Advanced Technology Ventures (2)	2,999,393	
Funds affiliated with Latterell Venture Partners (3)	2,828,190	
SPVC VI, LLC (4)	2,615,135	
Davidson Kempner Partners	1,290,913	
State of Wisconsin	1,290,432	
Named Executive Officers and Directors		
Gregory D. Casciaro (5)	566,778	4
Timothy D. Kahlenberg		18
Randolph E. Campbell (6)	261,770	9
Anne-Marie Hodkinson		4
Phillipe Marco (7)	71,050	6
Henry A. Plain, Jr. (8)	459,656	2
Michael A. Carusi (2)	2,999,393	1
Michael L. Eagle		1
Robert E. Flaherty	3,685	3
Edward W. Unkart	8,333	3
Christopher M. Smith		
Arthur T. Taylor		
Allan R. Will (4)	2,775,291	1
All executive officers and directors as a group (13 persons)	17,640,734	91

(1) Includes 5,085,243 shares held by Morgenthaler Partners VI, L.P. Voting and investment po Bellas, Jr., Gary J. Morgenthaler, Robert D. Pavey, John D. Lutsi, G. Gary Shaffer, Gary R. Little, Peter G. Taft, R. Levine, the managing members of Morgenthaler Management Partners VI, L.L.C., the general partner of Morg with respect to shares held by Morgenthaler Partners VI, L.P. Each managing member disclaims beneficial owner to the extent of his pecuniary interest therein. The address for Morgenthaler Partners VI, L.P. is 2710 Sand Hill R CA 94025.

(2) Includes 2,409,589 shares held by Advanced Technology Ventures VII, L.P., 402,776 share Technology Ventures VI, L.P., 96,694 shares held by Advanced Technology Ventures VII (B), L.P., 46,477 share Technology Ventures VII (C), L.P., 25,708 shares held by ATV Entrepreneurs VI, L.P., 14,359 shares held by AT and 3,790 shares held by ATV Alliance 2002, L.P. ATV Associates VII, L.L.C. is the general partner of Advance VII, L.P., Advanced Technology Ventures VII (B), L.P., Advanced Technology Ventures VII (C), L.P. and ATV Associates VI, L.L.C. is the general partner of Advanced Technology Ventures VI, L.P. and ATV Entrepreneurs Management, Inc. is the sole member of ATV Alliance

Associates, L.L.C., the general partner of ATV Alliance 2002, L.P. Michael A. Carusi, Steve Baloff, Bob Hower, Wiberg, as managing directors of ATV Associates VII, L.L.C., share voting and investment power with respect to Technology Ventures VII, L.P., Advanced Technology Ventures VII (B), L.P., Advanced Technology Ventures V Entrepreneurs VII, L.P. Michael A. Carusi, Steve Baloff and Pieter Schiller, as managing directors ofATV Associ and investment power with respect to shares held by Advanced Technology Ventures VI, L.P. and ATV Entrepre as the sole manager of ATV Alliance Associates, L.L.C., has voting and investment power with respect to shares 2002, L.P. Each managing director and manager disclaims beneficial ownership of these shares, except to the exte interest therein. Mr. Carusi s address is c/o Advanced Technology Ventures, 1000 Winter Street, Suite 3700, Wa

(3) Includes 2,020,425 shares held by Latterell Venture Partners II, L.P., 586,574 shares held b Partners, L.P., 196,458 shares held by Latterell Venture Partners III, L.P., 9,822 shares held by LVP III Associate LVP III Partners, L.P., and 10,000 shares held by Latterell Management Company, L.L.C. Latterell Capital Mana partner of Latterell Venture Partners, L.P., Latterell Capital Management II, L.L.C. is the general partner of Latte and Latterell Capital Management III, L.L.C. is the general partner of Latterell Venture Partners III, L.P., LVP III III Partners, L.P. Patrick F. Latterell, Stephen M. Salmon and James N. Woody are the members of Latterell Capi Latterell Capital Management II, L.L.C., Latterell Capital Management III, L.L.C. and Latterell Management Cor voting and investment power. Each member disclaims beneficial ownership of these shares, except to the extent o therein. Mr. Latterell s address is c/o Latterell Venture Partners, 1 Embarcadero Center, Suite 4050, San Francisc

(4) SPVC VI, LLC (formerly St. Paul Venture Capital VI, LLC) is jointly managed by Split Ro Vesbridge Partners, L.L.C.; however, voting and investment power has been delegated solely to Split Rock Partne David Stassen, Michael Gorman and James Simons, as managing directors of Split Rock Partners, LLC, share vot with respect to the shares held by SPVC VI, LLC. Split Rock Partners, LLC and each of its managing directors di of these shares, except to the extent of his or their pecuniary interest therein. Mr. Will s address is c/o Split Rock Camino Real, Suite 290, Menlo Park, CA 94025. The address for SPVC VI, LLC is 10400 Viking Drive, Suite 55

(5) Includes 3,400 shares held by Mr. Casciaro as custodian for his minor son and minor daugh Uniform Transfer to Minors Act. Also includes 1,700 shares held by Mr. Casciaro s adult daughter as to which M beneficial ownership

(6) 2,195 of these shares are subject to our right of repurchase as of January 24, 2009.

(7) 855 of these shares are subject to our right of repurchase as of January 24, 2009.

(8) Henry A. Plain, Jr. s address is c/o Morgenthaler Ventures, 2710 Sand Hill Road, Suite 100

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTO

Policies and Procedures for Related Party Transactions

As provided by our audit committee charter, our audit committee must review and approve in advance any transac
All of our directors, officers and employees are required to report to our audit committee any such related party tr
completion.

Transactions with Related Persons

None.

Director Independence

Our board of directors consists of nine directors. The board has the authority to increase the size of the board fron
directors are Michael A. Carusi, Gregory D. Casciaro, Michael L. Eagle, Robert E. Flaherty, Henry A. Plain, Jr., C
T. Taylor, Edward W. Unkart and Allan R. Will. Our board has determined that Messrs. Carusi, Eagle, Flaherty, I
and Will are independent directors under the listing standards established by the rules of the NASDAQ Stock Ma

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table sets forth the fees paid to PricewaterhouseCoopers, LLP (PwC):

Service Category	2008	2
Audit Fees	$ 350,925	$
Audit-Related Fees		
Tax Services Fees		
All Other Fees		
Total	$ 350,925	$

(1) The presentation of 2007 fees has been changed to conform with 2008 presentation

In the above table, in accordance with the SEC s definitions and rules, audit fees are fees for professional serv financial statements and for services that are normally provided by the accountant in connection with other statuto engagements; audit-related fees are fees for assurance and related services that are reasonably related to the pe of a company s financial statements; tax services fees are fees for tax compliance, tax advice and tax planning any services not included in the first three categories.

Audit Fees

The aggregate Audit Fees to PwC in the year ended December 31, 2008 were $350,925. This included fees for ser
of our annual financial statements for the year ended December 31, 2008 and the review of our interim financial s
ended December 31, 2008. The aggregate Audit Fees to PwC in the year ended December 31, 2007 were $437,00
review of the financial statements included in our Registration Statement filed in connection with our initial publi
2007.

Tax Service Fees

There were no aggregate Tax Service Fees paid to PwC in the year ended December 31, 2008. In the year ended D
Service Fees paid were $12,375. Tax Service Fees in 2007 represented fees for consulting services related to tax c

All Other Fees

All other fees in 2007 represent fees for Comperio, which is an online research tool.

To help ensure the independence of the independent registered public accounting firm, our audit committee has ad
pre-approval of all audit and non-audit services to be performed for us by the independent registered public accou
exception of up to $20,000 in fees, which may be approved by the audit committee chair alone. Pursuant to this po
exception, all audit and non-audit services to be performed by the independent auditor during 2009 must be appro
committee. The audit committee may delegate to one or more of its members the authority to grant the required ap
exercise of such authority is presented to the full audit committee at its next regularly scheduled meeting.

All of the services provided by PricewaterhouseCoopers described in the table above were approved by our audit

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

Exhibit Number	Description
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 20
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 20

32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuan Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant Sarbanes-Oxley Act of 2002.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has dul
No. 1 to its Annual Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: April 30, 2009

XTENT, Inc.

By: /s/ GREGOR
Gregory
President and C
(Principal E

Pursuant to the requirements of the Securities Exchange Act of 1934, this Amendment No. 1 to the registrant s A
below by the following persons on behalf of the Registrant in the capacities and on the dates indicated:

Signature	Title
/s/ GREGORY D. CASCIARO Gregory D. Casciaro	President, Chief Executive Officer and Director (Principal Executive Officer)
/s/ TIMOTHY D. KAHLENBERG Timothy D. Kahlenberg	Chief Financial Officer (Principal Accounting Officer)
* Henry A. Plain, Jr.	Director
* Michael A. Carusi	Director
* Michael L. Eagle	Director
* Robert E. Flaherty	Director
* Christopher M. Smith	Director
* Arthur T. Taylor	Director
* Edward W. Unkart	Director
* Allan R. Will	Director

* By: /s/ GREGORY D. CASCIARO
Gregory D. Casciaro, Attorney-in-Fact

UNITED STATES

SECURITIES AND EXCHANGE COMMISS

WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SEC EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2009

or

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SE EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number 001-33282

XTENT, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**41-2047573**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employ Identification N

125 Constitution Drive

Menlo Park, California 94025-1118

(Address of principal executive offices, including Zip Code)

(650) 475-9400

(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such 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, i File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during such shorter period that the registrant was required to submit and post such files). YES o NO o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated fi company. See definitions of large accelerated filer, accelerated filer, and smaller reporting company in R Act. (Check one):

Large accelerated filer o	Accelerated file
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting co

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act)

As of April 30 2009, there were 23,352,904 shares of XTENT, Inc. common stock outstanding.

XTENT, INC.

FORM 10-Q

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PART I: FINANCIAL INFORMATION

ITEM 1. CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

XTENT, INC.

(a development stage company)

CONDENSED BALANCE SHEETS

(unaudited; in thousands, except per share amounts)

		March 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	$	11,
Short-term investments		
Prepaid expenses and other current assets		
Total current assets		12,
Property and equipment, net		1,
Other non-current assets		
Total assets	$	14,
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$	
Accrued liabilities		1,
Total current liabilities		1,
Commitments and contingencies (note 7)		
Stockholders Equity:		
Common stock: $0.001 par value; 100,000 shares authorized at March 31, 2009 and December 31, 2008; 23,337 and 23,325 shares issued and outstanding at March 31, 2009 and December 31, 2008, respectively		
Additional paid-in capital		156,
Deferred stock-based compensation		
Accumulated other comprehensive income		
Deficit accumulated during development stage		(143,
Total stockholders equity		12,
Total liabilities and stockholders equity	$	14,

(1) The condensed balance sheet at December 31, 2008 has been derived from the audited fin that date, but does not include all of the information and footnotes required by accounting pri accepted in the United States for complete financial statements.

The accompanying notes are an integral part of these condensed financial statements

XTENT, INC.

(a development stage company)

CONDENSED STATEMENTS OF OPERATIONS

(unaudited; in thousands, except per share amounts)

	Three Months Ended March 31,	
	2009	**2008**
Operating expenses:		
Research and development (1)	$ 4,654	$ 9
General and administrative (1)	2,763	3
Loss on impairment of long-lived assets	2,494	
Total operating expenses	9,911	12
Loss from operations	(9,911)	(12
Interest and other income, net	55	
Net loss	(9,856)	(12
Deemed dividend related to beneficial conversion feature of redeemable convertible preferred stock		
Net loss attributable to common stockholders	$ (9,856)	$ (12
Net loss per share attributable to common stockholders - basic and diluted	$ (0.42)	$ (
Weighted-average common shares outstanding - basic and diluted	23,324	22
(1) Includes the following stock-based compensation charges:		
Research and development	$ 256	$
General and administrative	$ 508	$

The accompanying notes are an integral part of these condensed financial statements

XTENT, INC.

(a development stage company)

CONDENSED STATEMENTS OF CASH FLOWS

(unaudited; in thousands)

	Three Months Ended March 31,	
	2009	**2008**
Cash flows from operating activities:		
Net loss	$ (9,856)	$ (12
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	347	
Amortization of securities discount	(9)	
Gain on sale of investments		
Loss on disposal of property and equipment		
Impairment of long-lived assets	2,494	
Stock-based compensation expense	764	1
Stock issued in exchange for services		
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	10	
Accrued interest receivable on securities	12	
Accounts payable	(727)	
Accrued liabilities	8	
Net cash used in operating activities	(6,957)	(11
Cash flows from investing activities:		
Purchase of investments		(5
Proceeds from maturities of investments	5,750	9
Proceeds from sale of investments		9
Purchase of property and equipment	(241)	
Restricted cash	30	
Proceeds from sale of property and equipment		
Net cash provided by (used in) investing activities	5,539	14
Cash flows from financing activities:		
Proceeds from issuance of redeemable convertible preferred stock, net of issuance costs		
Proceeds from initial public offering, net of offering costs		
Principal payments on capital lease obligations		
Proceeds from issuance of common stock and exercise of stock options	5	
Net cash provided by financing activities	5	
Net (decrease) increase in cash and cash equivalents	(1,413)	2
Cash and cash equivalents at beginning of period	13,373	13
Cash and cash equivalents at end of period	$ 11,960	$ 16

Supplemental disclosure of noncash investing and financing activities:			
Deferred stock-based compensation	$		$
Reversal of deferred stock-based compensation	$	(22)	$
Dividend related to beneficial conversion feature of redeemable convertible preferred stock	$		$
Equipment acquired under capital leases	$		$
Vesting of restricted common stock from early exercises	$	2	$
Deferred initial public offering costs	$		$
Changes in net unrealized gains on investments	$	(11)	$

The accompanying notes are an integral part of these condensed financial statements

XTENT, INC.

NOTES TO CONDENSED FINANCIAL STATEMENTS

(unaudited)

NOTE 1 - Organization and Basis of Presentation

Organization

XTENT, Inc. (the Company) was incorporated in the state of Delaware on June 13, 2002 (inception), and is commercializing innovative drug eluting stent systems for the treatment of coronary artery disease. The Company and since inception has devoted substantially all of its time and efforts to developing products, raising capital and

The Company has incurred net operating losses each year since inception. At March 31, 2009, the Company had a $143.8 million. The Company has not achieved positive cash flows from operations in any year since inception. I Company completed its initial public offering raising net proceeds of $68.2 million. In January 2009, the Compan its headcount of approximately 115 employees, or 94% of its total workforce. As of March 31, 2009, the reductio complete, with six full-time employees remaining at April 30, 2009. During the first quarter of 2009, the Compan alternatives with the assistance of Piper Jaffray & Co., including, without limitation, a merger, a sale of substantia financing, or a sale of a portion of the Company s assets, such as its peripheral stent technology, its drug eluting bioabsorbable stent technology. On May 11, 2009, the Company s board of directors concluded that it appeared transaction at a valuation materially in excess of the estimated liquidation value would be achieved in the near ter factors, the board of directors concluded that a statutory dissolution and liquidation was in the best interests of the stockholders and therefore adopted a Plan of Complete Liquidation and Dissolution, or Plan of Dissolution, and re Plan of Dissolution by the Company s stockholders. The Plan of Dissolution is subject to approval at a special m which is expected to be held during the second or third quarter of 2009.

If the Company s stockholders approve the Plan of Dissolution, the Company will not engage in any business act of preserving the value of the Company s assets, winding up the Company s business and affairs, selling and liq intellectual property, paying all liabilities, terminating all agreements and preparing to make distributions to stock the Plan of Dissolution. The Company believes that the cash and cash equivalents and related interest income are anticipated cash requirements under the Plan of Dissolution.

If the Company s stockholders do not approve the Plan of Dissolution, the board of directors will explore the alte XTENT. The Company believes that the existing cash and cash equivalents and related interest income are suffic requirements through at least December 31, 2009.

The Company continues to report as a development stage company, since planned principal operations have not c accounting has not changed as a result of the board of director s approval of the Plan of Dissolution as the Plan o stockholder approval. The Company operates in a single segment and management uses one measure of financial segment its business for internal reporting.

Basis of Presentation

The accompanying unaudited condensed financial statements have been prepared by the Company in accordance principles generally accepted in the United States of America for interim financial information and pursuant to the and Article 10 of Regulation S-X of the Securities and Exchange Commission. Accordingly, they do not include footnotes required by generally accepted accounting principles for complete financial statements. In the opinion adjustments (consisting only of normal recurring adjustments) considered necessary for a fair statement have beer the three months ended March 31, 2009 are not necessarily indicative of the results that may be expected for the y 2009, or for any future period. These unaudited condensed financial statements and notes should be read in conju financial statements and the notes thereto included in the Company s Annual Report on Form 10-K for the year e filed with the Securities and Exchange Commission on March 24, 2009.

NOTE 2 - Summary of Significant Accounting Policies

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less cash equivalents. The Company deposits cash with high credit quality financial institutions. Cash equivalents con money market funds and fixed income securities with original maturity dates of less than three months.

Short-term Investments

Short-term investments with an original maturity of more than three months and less than one year at the date of p short-term. Short-term investments consist primarily of fixed income securities. The Company classifies its invest in accordance with Statement of Financial Accounting Standards (SFAS) No. 115, *Accounting for Certain Inve Securities* and they are recorded at fair value. The fair value of short-term investments is based on quoted market 2009, the Company did not have any short-term investments.

Unrealized gains and losses are reported as accumulated other comprehensive income (loss), which is a separate c equity, until realized. Premiums (or discounts) on short-term investments are amortized (or accreted) to interest an life of the investment. Realized gains and losses on short-term investments sold are included in interest and other statement of operations.

The Company reviews its short-term investments on a regular basis to evaluate whether or not any security has ex other-than-temporary decline in fair value. If the Company believes that an other-than-temporary decline exists in securities, it writes down these investments to the fair value and records the write-down within interest and other statement of operations.

Concentration of Credit Risk

The Company s financial instruments that are exposed to concentration of credit risk consist primarily of cash an short-term investments. Financial instruments are comprised primarily of money market funds, commercial paper agency securities rated A1 and P1 or better. The Company s cash is primarily deposited with one major financial exceeds the amount of insurance provided by the Federal Deposit Insurance Corporation on such deposits. The Co concentration of credit risk by placing percentage limits on the maximum portion of the investment portfolio whic one investment instrument. The Company has not recognized any credit losses on such instruments during any of believes that it is not exposed to any significant risk on these instruments.

Comprehensive Income (Loss)

Comprehensive income (loss) is defined as the change in equity from transactions and other events and circumsta
resulting from investments by owners and distributions to owners. The Company s unrealized gains (losses) on a
represent the only component of other comprehensive loss that was excluded from the Company s net loss and is
stockholders equity.

Total comprehensive loss during the three months ended March 31, 2009 and 2008 consisted of:

	Three Months Ended March 31,	
	2009	2008
	(in thousands)	
Net loss attributable to common stockholders	$ (9,856)	$ (12,457)
Change in unrealized gains (losses) on available-for-sale securities	(11)	95
Comprehensive loss	$ (9,867)	$ (12,362)

Net Loss per Common Share

Basic and diluted net loss per common share is computed using the weighted-average number of shares of commo
the period. Potentially dilutive shares consisting of stock options, common stock subject to repurchase, redeemabl
and shares issuable under the Employee Stock Purchase Plan were not included in the diluted net loss per commo
periods presented because the inclusion of such shares would have had an antidilutive effect.

A reconciliation of the numerator and denominator used in the calculation of basic and diluted net loss per comm

	Three Months Ended March 31,	
	2009	2008
	(in thousands, except per share amounts)	
Numerator:		
Net loss attributable to common stockholders	$ (9,856)	$ (12,457)
Denominator:		
Weighted-average common shares outstanding	23,326	23,049
Less: Weighted-average unvested common shares subject to repurchase	(2)	(126)
Weighted-average common shares outstanding used in computing basic and diluted net loss per common share	23,324	22,923
Net loss per share attributable to common stockholders - basic and diluted	$ (0.42)	$ (0.54)

The following potentially dilutive shares were excluded from the computation of diluted net loss per common sha
because including them would have an antidilutive effect:

	Three Months Ended March 31,	
	2009	2008
	(in thousands)	
Options to purchase common stock	2,060	2,744
Common stock subject to repurchase	1	107
Shares issuable under Employee Stock Purchase Plan		52

Recent and Adopted Accounting Pronouncements

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Li
amendment of FASB Statement No. 115* (SFAS No. 159). SFAS No. 159 expands the use of fair value accounti
standards which require assets or liabilities to be carried at fair value. The objective of SFAS No. 159 is to impro
providing companies with the opportunity to mitigate volatility in reported earnings caused by measuring related

differently without having to apply complex hedge accounting provisions. Under SFAS No. 159, a company may measure eligible items at specified election dates and report unrealized gains and losses on items for which the fai elected in earnings at each subsequent reporting date. Eligible items include, but are not limited to, accounts and l available-for-sale and held-to-maturity securities, equity method investments, accounts payable, guarantees, issue commitments. If elected, SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. The adop impacted the Company s results of operations and financial condition as the Company has not elected the fair val eligible items.

In April 2009, the FASB issued FSP SFAS 107-1 and APB 28-1, *Interim Disclosures about Fair Value of Financ* amends SFAS No. 107, *Disclosures about Fair Value of Financial Instruments*, to require publicly-traded compa Opinion No. 28, *Interim Financial Reporting*, to provide disclosures on the fair value of financial instruments in i statements. Prior to the issuance of FSP FAS No. 107-1 and APB Opinion No. 28-1, the fair values of those asset disclosed only once each year. With the issuance of FSP FAS No. 107-1 and APB Opinion No. 28-1, the Compan disclose this information on a quarterly basis, providing quantitative and qualitative information about fair value e instruments not measured in the Condensed Consolidated Balance Sheets at fair value. FSP SFAS 107-1 and APB interim periods ending after June 15, 2009. The Company will adopt the new disclosure requirements in the seco The Company does not expect the adoption to have a material impact on its condensed financial condition, results

On January 1, 2009, the Company adopted SFAS No. 157-2, *Effective Date of FASB Statement No. 157*, (FSP S effective date of SFAS No. 157 for all nonfinancial assets and nonfinancial liabilities, except those that are recogn value in the financial statements on a recurring basis to fiscal years beginning November 15, 2008. The adoption not have a material impact on the Company s financial position, operating results or cash flows.

On January 1, 2009, the Company adopted SFAS No. 157-3, *Determining the Fair Value of a Financial Asset Wh Is Not Active,* (FSP SFAS 157-3), which clarifies the application of Statement 157 in a market that is not active illustrate key considerations in determining the fair value of a financial asset when the market for that financial as adoption of FSP SFAS No. 157-3 did not have a material impact on the Company s financial position, operating

In April 2009, the FASB issued FSP SFAS 157-4, *Determining Fair Value When the Volume and Level of Activit Have Significantly Decreased and Identifying Transactions That Are Not Orderly,* or FSP SFAS 157-4, which pro for estimating fair value in accordance with SFAS 157 when the volume and level of activity for the asset or liabi decreased. This FSP re-emphasizes that regardless of market conditions the fair value measurement is an exit pric SFAS 157. This FSP clarifies and includes additional factors to consider in determining whether there has been a market activity for an asset or liability and provides additional clarification on estimating fair value when the mar liability has declined significantly. The scope of this FSP does not include assets and liabilities measured under l 157-4 is applied prospectively to all fair value measurements where appropriate and will be effective for interim a after June 15, 2009. The Company will adopt the provisions of FSP SFAS 157-4 effective the second quarter of f expect this to have a material impact on its condensed financial condition, results of operations, or cash flows.

NOTE 3 - Investments

The Company had no short term investments as of March 31, 2009. At December 31, 2008, short-term investmen available-for-sale, had maturities of less than one year and consisted of the following:

As of March 31, 2009	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
		(in thousands)		
U.S. government and agency securities	$ 5,741	$ 11	$	$ 5,752

NOTE 4 Fair Value Measurements

Fair Value Measurements

SFAS No. 157, *Fair Value Measurements,* defines fair value as the price that would be received upon the sale of a liability in an orderly transaction between market participants at the measurement date (exit price). SFAS No. 157 measure fair value into the following hierarchy:

- Level 1: Observable inputs such as quoted prices (unadjusted) in active markets for iden

- Level 2: Inputs other than quoted prices that are observable for the asset or liability, eith indirectly. These include quoted prices for similar assets or liabilities in active markets and q identical or similar assets or liabilities in markets that are not active.

- Level 3: Unobservable inputs that reflect the reporting entity s own assumptions.

Cash and Cash Equivalents

The Company s cash equivalents are classified within Level 1 or Level 2 of the fair value hierarchy because they market prices, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparen of the Company s marketable securities at fair value in connection with the adoption of SFAS No. 157 consisted March 31, 2009 and December 31, 2008:

	Balance as of March 31, 2009	Significant Other Observable Inputs (Level 1) (in thousands)	
Money market funds (1)	$ 8,383	$ 8,383	$
U.S. government securities (1)	2,001		
Commercial paper (1)	1,000		
Total	$ 11,384	$ 8,383	$

	Balance as of December 31, 2008	Significant Other Observable Inputs (Level 1) (in thousands)	

Money market funds (1)	$	11,613	$	11,613	$
U.S. Treasury Notes (1)		1,003			
U.S. government and agency securities		5,752			
Total	$	18,368	$	11,613	$

(1) Classified as part of cash equivalents on the balance sheet

Assets Measured at Fair Value on a Nonrecurring Basis

As discussed in Note 1, the Company terminated 94% of its workforce during the quarter ended March 31, 2009. recoverability of property and equipment in accordance with FAS 144, *Accounting for the impairment, or dispo* whenever events or changes in circumstances indicate that the carrying value of a long-lived asset may not be rec recorded a non-cash charge of $2.5 million relating to the impairment of long-lived assets, which is included in co quarter ended March 31, 2009. An estimate of fair value was based on a market approach obtained through an ex long-lived asset values by considering the market participant assumptions affecting the value to be realized throug equipment. In accordance with SFAS 157-2, the $1.5 million valuation of long-lived assets is assessed based on u grouped as level 3 within the fair value hierarchy.

NOTE 5 - Restricted Common Stock

Certain common stock option holders have the right to exercise unvested options, subject to a repurchase right he repurchase the stock, at the original exercise price, in the event of voluntary or involuntary termination of employ accordance with Emerging Issues Task Force Issue No. 00-23, *Issues Related to the Accounting for Stock Compen* FASB Interpretation No. 44, *Accounting for Certain Transactions*

Involving Stock Compensation, the Company accounts for the cash received in consideration for th options as a liability. As of March 31, 2009 and December 31, 2008, there were approximate shares of common stock, respectively, subject to repurchase, and a related liability of approxi $3,000, respectively.

NOTE 6 - Stock Option Plans

Stock-based compensation and valuation assumptions

The Company calculates the fair value of each option award on the date of grant using the Black-Scholes option p term of stock options represents the weighted-average period the stock options are expected to remain outstanding vesting term, contractual terms and industry peers as the Company does not have sufficient historical information expectations about future exercise patterns and post-vesting employment termination behavior. Beginning in 200 assumption was based on the Company s historical settlement experience. ESPP terms are for the purchase perio 2007 and ended on May 15, 2008, and the purchase period that began on May 15, 2008 and ended on November suspended in January 2009, and all funds for the purchase period that began on November 17, 2008 were refunde

The expected stock price volatility assumptions for the Company s stock options and ESPP for the three months determined by examining the historical volatilities for industry peers in combination with the historical volatility Initial Public Offering on February 1, 2007. Volatility for three months ended March 31, 2009 was not assessed, a granted or ESPP requiring measurement during the period.

The risk-free interest rate assumption at the date of grant is based on the interest rate on U.S Treasury instruments with the expected term of the Company s stock options and ESPP.

The expected dividend assumption is based on the Company s history and expectation of dividend payouts. In ad estimated at the time of grant based on historical experience and revised, if necessary, in subsequent periods if act those estimates. Stock option activity for the three months ended March 31, 2009 was as follows:

		Options Outstanding	
	Shares Available for Grant	Number of Shares	Weighted Average Exercise Price
	(in thousands, except weighted average exercise price)		
Balance as of December 31, 2008	1,364	2,516	$ 5
Additional shares reserved	933		
Options granted			
Options exercised		(12)	0

Options forfeited/expired	444	(444)		6
Balance as of March 31, 2009	2,741	2,060	$	5

Non-Employee Stock-based Compensation

The Company accounts for equity instruments to or held by non-employees at their fair value on the measuremen
EITF 96-18. Stock-based compensation expense related to stock options granted to non-employees is recognized
earned. The Company believes that the estimated fair value of the stock options is more readily measurable than t
rendered.

Stock-based compensation expense will fluctuate as the fair value of the common stock fluctuates. In connection
stock options to non-employees, the Company recorded stock-based compensation charges of approximately $0.8
June 13, 2002 (inception) to March 31, 2009. For the three months ended March 31, 2009 and 2008, the Company
compensation charges for non-employees of approximately $1,000 and $5,000, respectively.

NOTE 7 - Commitments and Contingencies

Operating Lease

In May 2007, the Company entered into an amendment to the lease agreement pursuant to which it leases its offic facilities. The lease amendment extends the term of the lease through May 31, 2012. In September 2008, a second lease termination option such that the Company may terminate the lease for any reason on or after May 1, 2010, a terminate the lease on or after that date provided it has obtained certain redevelopment rights with respect to the l

As of March 31, 2009, future minimum lease payments under non-cancelable operating leases are as follows:

	Total	2009	2010	2011	2012
			(in thousands)		
Minimum lease commitments	$ 1,576	$ 361	$ 493	$ 508	$ 2

License Agreements

The Company has entered into license agreements with Biosensors and SurModics for proprietary materials that a the Company s products. The terms of the agreements call for milestone payments prior to achieving sales, and q based on the greater of specified minimums or a percentage of net sales. As of March 31, 2009 future minimum r suppliers are approximately $1.7 million. During the year ended December 31, 2008 and the three months ended Company made minimum royalty payments of $80,000 and $20,000, respectively. Under the terms of the license an additional $20,000 milestone payment is payable to SurModics once the Company receives regulatory approva products, and this amount was accrued for the three months ended March 31, 2009 based upon the Company s re March 2009. No milestone payments were made on this license agreement during the year ended December 31, 2 payments to Biosensors of $100,000 per year would begin upon achievement of certain milestones.

In July 2006, the Company entered into a license agreement with Millimed, Inc. for certain intellectual property r business. In consideration for this license, the Company made an initial payment of $350,000 in cash and issued stock during the year ended December 31, 2006. In addition, the license agreement provided for an additional pay achievement of certain milestones. On July 24, 2008, the Company entered into an assignment agreement with M Company the entire and exclusive right, title and interest in previously licensed intellectual property. In considera Company issued 50,000 shares of unregistered common stock to a third party at $3.00 per share. Pursuant to the agreement, the third party paid $150,000 directly to Millimed. The $200,000 milestone payment that was require agreement is no longer required.

Purchase Commitments

In April 2007, the Company entered into a supply agreement with Fortimedix B.V., under which Fortimedix B.V. deliver stents for use in the Company s products. The terms of the agreement require minimum purchases over tw set in Euros. As of March 31, 2009, there were no outstanding purchase order commitments for stents. Under the agreement, any further annual purchase commitments have been delayed until the Company receives approval fro trials in the United States.

In December 2007, the Company entered into the Amended and Restated License Agreement with Biosensors Int which the Company purchases the drug and polymer components used on its stents. As of March 31, 2009, there commitments with Biosensors. The Company will pay royalties to Biosensors under the license agreement when product sales.

Contingencies

The Company is not currently subject to any material legal proceedings. The Company may from time to time, ho various legal proceedings arising in the ordinary course of business.

Indemnifications

In the normal course of business, the Company enters into contracts and agreements that contain a variety of repre
and provide for general indemnifications. The Company s exposure under these agreements is unknown because
made against the Company in the future, but have not yet been made. To date, the Company has not paid any clai
defend any action related to its indemnification obligations. However, the Company may record charges in the fut
indemnification obligations.

In accordance with the Company s amended and restated certificate of incorporation and bylaws, the Company h
to its officers and directors for certain events or occurrences, subject to certain limits, while they are serving at the
capacity. The Company also has entered into indemnification agreements with its directors and officers, pursuant
indemnification obligations to them. There have been no claims to date and the Company has a director and office
enable it to recover a portion of any amounts paid for future claims.

NOTE 8 - Income Taxes

Effective January 1, 2007, the Company adopted the provisions of FASB Interpretation No. 48, *Accounting for U
An Interpretation of FASB Statement No. 109* (FIN No. 48). As of March 31, 2009, the Company has no unrec

The Company s practice is to recognize interest and/or penalties related to income tax matters in income tax expe
accrual for interest or penalties at March 31, 2009 or December 31, 2008.

The Company files U.S. Federal and California state tax returns. The Company is currently not subject to income
general, all tax years remain open due to net operating losses.

NOTE 9 - Reduction in Force

On July 10, 2008, the Company announced an initiative to reduce employee headcount by eliminating 46 regular
positions. This reduction represented approximately 34% of the total workforce and was completed in July 2008.
and expenses incurred in connection with this reduction in workforce was approximately $210,000, of which $17
research and development and $40,000 was included in general and administrative in the Statement of Operations
approximately $7,000 of non-cash expenses. All amounts were paid during the quarter ended September 30, 2008

On January 21, 2009 the Company announced an initiative to reduce employee headcount by 115 employees or 9
As of March 31, 2009, the reduction was substantially complete, and the related expense recognized for the three
date was approximately $1.0 million, of which $0.6 million was included in research and development and $0.4 m

general and administrative in the Statement of Operations. A portion of these costs in the amount of $0.2 million
March 31, 2009.

As of March 31, 2009, the Company has six remaining employees, all of whom have retention agreements to secu
through the completion of a strategic transaction, or in the absence thereof, to wind down and liquidate the Comp
associated with these agreements is being expensed over the related retention periods. As of March 31, 2009, we
$0.5 million associated with these agreements. The expected termination dates for these employees range from A
2009.

NOTE 10 - Subsequent Event

On May 11, 2009, the board of directors adopted a Plan of Complete Liquidation and Dissolution, or Plan of Diss
approval of the Plan of Dissolution to the Company s stockholders. The Plan of Dissolution is subject to approv
meeting of stockholders which is expected to be held in the second or third quarter of 2009. The Company expect
statement with the United States Securities and Exchange Commission on or about May 15, 2009 for the purpose
approval of the Plan of Dissolution.

ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RES

INTRODUCTION

The following discussion should be read in conjunction with the financial statements and the related notes include Form 10-K for the year ended December 31, 2008 and in our other filings with the Securities and Exchange Comm Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the federal securities include, but are not limited to, those concerning the following: future events, our future financial performance, bu introductions and plans and objectives of management for future operations, regulatory approvals and clinical tim statements are subject to risks and uncertainties that could cause actual results and events to differ materially. For these risks and uncertainties, see Part II, Item 1A Risk Factors below. We undertake no obligation to update fo reflect events or circumstances occurring after the date of this Form 10-Q.

BUSINESS OVERVIEW

We are a development stage medical device company that has focused on developing and commercializing our pr eluting stent, or DES, systems to treat coronary artery disease, or CAD. Since inception we have devoted substant start-up activities, raising capital and performing research and development, including product design, testing, ma trials. We have focused our development efforts on creating our Custom NX DES Systems, which allow a physici multiple stents of customizable length with a single device. We have not yet received any government regulatory commercialize any of our products in the United States.

Over the past four years, we have been conducting clinical trials to evaluate our Custom NX 36 and Custom NX 6 systems. In October 2008, the one year data from our CUSTOM III clinical trial, the two year data from our CUS three year data from our CUSTOM I clinical trial were presented at the 2008 Transcatheter Cardiovascular Therap Washington D.C. We believe the data from these clinical trials provides preliminary evidence of safety and effica development of our in-situ customization approach. In March 2009, we received CE Mark approval for our Custo authorizing us to market our products in the European Union and certain other countries that recognize CE Mark. received CE Mark, we do not have adequate resources to commercialize our products in Europe.

We will need premarket approval, or PMA, from the U.S. Food and Drug Administration, or FDA, before we can United States, which we expect would require data from a large clinical trial of up to 2,100 patients. We expected our planned CUSTOM IV clinical trial, but to initiate the CUSTOM IV trial, we would first need to obtain clearan device exemption, or IDE, from the FDA. We filed our IDE application in September 2007, and in October 2007, from the FDA. In February 2009, we resubmitted our IDE application, and received questions back from the FDA receive IDE approval from the FDA, we do not have adequate resources to initiate our IDE trial.

To date, we have not generated any revenue from our development activities and will not be able to generate reve additional financing to support commercialization of our products in the European Union. We have incurred net l inception in June 2002. Through March 31, 2009, we had an accumulated deficit of $143.8 million.

RECENT DEVELOPMENTS

In January 2009, we notified our employees that we were initiating a headcount reduction that would impact 94% reduction was substantially completed in March 2009. In connection with the reduction in force and our plans to e we entered into retention and severance agreements with nine of our employees, including our executive officers. agreements, we have agreed to make retention payments to each of these employees, provided their employment i prior to the date upon which we complete a strategic transaction, or the employee s expected termination date, wi these employees were terminated on March 31, 2009, one was terminated on April 30, and the remaining five emp termination dates that range from June 30, 2009 to July 31, 2009.

In January 2009, we engaged Piper Jaffray & Co. to help us explore potential strategic alternatives, including, wit sale of substantially all our assets, a financing, or a sale of a portion of our assets, such as our peripheral stent tech balloon technology or our bioabsorbable stent technology. On May 11, 2009, our board of directors concluded th strategic transaction at a valuation materially in excess of the estimated liquidation value could be achieved in the was based on the lack of success, despite concerted efforts through the fourth quarter of 2008 and first quarter of financing or identify a strategic transaction that would provide value to our stockholders or reduce the risks of our including the risks associated with technology in a relatively early state of development, the time and cash require commercializing our Custom NX DES Systems, the need for additional financing, and the highly uncertain and cu financing and economic climate. Based on this and other factors, our board of directors concluded that a statutory was in the best interests of XTENT and its stockholders and therefore adopted a Plan of Complete Liquidation and Dissolution, and recommended approval of the Plan of Dissolution by our stockholders.

If our stockholders approve our Plan of Dissolution, we will file a Certificate of Dissolution with the Delaware Se we will not engage in any business activities except for the purpose of preserving the value of our assets, prosecut by or against us, winding up our business and affairs, selling and monetizing our non-cash assets, including our in otherwise settling our liabilities, including contingent liabilities, terminating agreements and relationships, and pr to our stockholders, in accordance with the Plan of Dissolution.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We base the discussion and analysis of our financial condition, results of operations and liquidity and capital reso condensed financial statements, which we prepare in accordance with U.S. generally accepted accounting princip financial statements, we must make estimates and judgments that affect the reported amounts of assets, liabilities, our estimates based on historical experience and various other assumptions we believe are reasonable under the ci results could differ materially from these estimates under different assumptions or conditions.

FINANCIAL OPERATIONS

Revenue

To date, we have not generated any revenue from the sale of our stent systems. Revenue generation is subject to c product in Europe. Even though we received CE Mark in March 2009, we do not have adequate resources to com European Union.

Research and Development

Since inception, we have devoted a significant amount of resources to develop our Custom NX DES Systems. Fro March 31, 2009, we incurred $110.2 million in research and development expenses related to developing our proc trials necessary to support regulatory approval. We expect our research and development expenses to decrease du

we substantially completed in March 2009.

General and Administrative

General and administrative expenses consist primarily of compensation for executive, finance, marketing and adm
including stock-based compensation. Other significant expenses include professional fees for accounting and lega
efforts to obtain and maintain protection for intellectual property related to our Custom NX DES Systems. From c
March 31, 2009, we incurred $37.2 million in general and administrative expenses. We expect our general and ad
decrease due to the reduction in force we substantially completed in March 2009.

Loss on Impairment of Long-Lived Assets

During the quarter ended March 31, 2009, we terminated 94% of our workforce. We evaluate the recoverab
equipment in accordance with FAS 144, *Accounting for the impairment, or disposal, of lon*
events or changes in circumstances indicate that the carrying value of a long-lived asset may

We have recorded a non-cash charge of $2.5 million relating to the impairment of long-lived assets, which is inclu
for the quarter ended March 31, 2009. An estimate of fair value was based on a market approach obtained throug
long-lived asset values by considering the market participant assumptions affecting the value to be realized throug
equipment. In accordance with SFAS 157-2, the $1.5 million valuation of long-lived assets is assessed based on u
grouped as level 3 within the fair value hierarchy.

RESULTS OF OPERATIONS

COMPARISON OF THREE MONTHS ENDED MARCH 31, 2009 AND 2008

Revenue

We did not generate any revenue during the three months ended March 31, 2009 or 2008.

Research and Development

	Three Months Ended March 31, 2009	2008	Dollar Change
	(in thousands)		
Research and development expenses	$ 4,654	$ 9,421	$ (4,767)

The $4.8 million decrease in research and development expenses for the three months ended March 31, 2009, com ended March 31, 2008, was primarily attributable to:

- A decrease of $3.1 million for prototype parts, supplies, and outside services related to product developm systems, based on the reduced operations activity related to the reduction in force substantially completed during March 31, 2009;

- A decrease of $1.5 million in personnel costs offset by a $0.6 million increase in costs related to the redu March 2009;

- A decrease of $0.4 million in expenses related to the support of our clinical research studies in 2009 as co 2008 due to activity in the first quarter of 2008 related to studies conducted to support our IDE application;

- A decrease of $0.1 million in employee stock-based compensation; and

- A decrease of $0.3 million in facilities and other miscellaneous expenses.

We expect our research and development expenses to continue to decrease as we wind up our operations in 2009.

General and Administrative

	Three Months Ended March 31, 2009	2008	Dollar Change
	(in thousands)		
General and administrative expenses	$ 2,763	$ 3,442	$ (679)

The $0.7 million decrease in general and administrative expenses for the three months ended March 31, 2009, com ended March 31, 2008, was primarily attributable to:

- A decrease of $0.6 million in personnel costs, facilities, insurance and other miscellaneous spending, offs
in costs related to the reduction in force substantially completed in March 2009;

- A decrease of $0.2 million in legal and accounting expenses;

- A decrease of $0.2 million due to spending for trade shows, travel and marketing materials; and

- A decrease of $0.1 million in employee stock-based compensation expense.

We expect our general and administrative expenses to continue to decrease as we wind up our operations in 2009.

Loss on Impairment of Long-Lived Assets

	Three Months Ended March 31, 2009	2008	Dollar Change
	(in thousands)		
Loss on impairment of long-lived assets	$ 2,494	$	$ 2,494

The $2.5 million increase in loss on impairment of long-lived assets for the three months ended March 31, 2009, c ended March 31, 2008, was attributable to the non-cash charge of $2.5 million relating to the impairment of long- determined to be impaired. The fair value of long-lived assets was based on a market approach obtained through a long-lived assets values by considering the market participant assumptions affecting the value to be realized throu and equipment.

Interest and Other Income, Net

	Three Months Ended March 31, 2009	2008	Dollar Change
	(in thousands)		
Interest and other income, net	$ 55	$ 406	$ (351)

The $0.4 million decrease in interest and other income, net, for the three months ended March 31, 2009, compare March 31, 2008, was primarily attributable to a decrease in the levels of cash, cash equivalents and short-term inv average interest rates.

LIQUIDITY AND CAPITAL RESOURCES

Our cash and cash equivalents, and short-term investments balances as of March 31, 2009 and December 31, 200

	As of March 31, 2009	As of December 31, 2008
	(in thousands)	
Cash and cash equivalents	$ 11,960	$ 13,373
Short-term investments		5,752
Total cash and cash equivalents and short-term investments	$ 11,960	$ 19,125

Sources of Liquidity

We are in the development stage and have incurred losses since our inception in June 2002. As of March 31, 2009 deficit of $143.8 million. Prior to our Initial Public Offering in February 2007, we funded our operations from the convertible preferred stock resulting in aggregate net proceeds of $75.6 million through December 31, 2006. Upo in force in April 2009, our cash requirements were greatly reduced. On May 11, 2009, our board of directors conc dissolution and liquidation was the preferred strategy and therefore adopted a Plan of Complete Liquidation and D Dissolution, and recommended approval of the Plan of Dissolution by our stockholders. The Plan of Dissolution i special meeting of our stockholders, which is expected to be held during the second quarter of 2009.

As of March 31, 2009, we did not have any outstanding or available debt financing arrangements, we had workin
and our primary source of liquidity was $12.0 million in cash and cash equivalents.

Cash Flows

Our operating, investing and financing activities for the three months ended March 31, 2009 and March 31, 2008

	Three Months Ended March 31,	
	2009	2008
	(in thousands)	
Net cash used in operating activities	$ (6,957)	$ (11,309)
Net cash provided by investing activities	5,539	14,127
Net cash provided by financing activities	5	32
Net (decrease) increase in cash and cash equivalents	$ (1,413)	$ 2,850

Operating Activities

Net cash used in operating activities was $7.0 million for the three months ended March 31, 2009, compared to $
months ended March 31, 2008. The net cash used in operating activities for the three months ended March 31, 20
reflects expenses related to product development and clinical trials. These expenses were partially offset by depr
amortization of securities discounts, gain on sale of investments, non-cash stock-based compensation and non-cas
and liabilities, including an asset impairment charge of $2.5 million, based on the estimated liquidation value of l

Investing Activities

Net cash provided by investing activities was $5.5 million for the three months ended March 31, 2009, compared
months ended March 31, 2008. Net cash provided by investing activities for the three months ended March 31, 20
proceeds from the maturities of investments of $5.7 million, which were partially offset by the purchase of proper
million. Net cash provided by investing activities for the three months ended March 31, 2008 was primarily attrib
investments of $10.0 million and the proceeds from maturities of investments of $9.9 million, which were partiall
short-term investments of $5.5 million and the purchase of property and equipment of $0.3 million.

Financing Activities

Net cash provided by financing activities for the three months ended March 31, 2009 was $5,000, compared to $3
ended March 31, 2008. Net cash provided by financing activities for each of the three months ended March 31, 20
to the proceeds from the exercise of stock options.

Operating Capital and Capital Expenditure Requirements

To date, we have not commercialized any products. We do not anticipate generating any revenue unless and until
to commercialize our products in the European Union and obtain FDA marketing approval for, and begin selling,
Systems. If we were to continue our operations, we anticipate that we would continue to incur substantial net loss
as we develop our products, conduct and complete clinical trials, pursue additional applications for our technolog
clinical development team and corporate infrastructure, and prepare for the potential commercial launch of our pr
cash equivalents are not sufficient to meet the cash requirements of these activities.

In January 2009, we notified our employees that we were initiating a headcount reduction that would impact 94%
substantially completed this reduction on March 31, 2009 and expect to fully complete it by April 30, 2009. With
that our cash and cash equivalents and short-term investments will be sufficient to meet our anticipated cash requi
December 31, 2009. Our board of directors approved the Plan of Dissolution on May 11, 2009 and on May 15, 20
proxy with the SEC for the purpose of obtaining stockholder

approval of the Plan of Dissolution. If, on the other hand, we identify and complete a strategic transaction, substa
to our current operations or they may be completely discontinued. For example, if we are acquired by a third part
choose to not pursue some or any of our current product development initiatives, such as our Custom NX drug elu
Custom NX peripheral stent technology, our customizable drug eluting balloon technology or our bioabsorbable s

Our forecasts for the period of time through which our financial resources will be adequate to support our operatio
statements and involve risks and uncertainties, and actual results could vary materially and negatively as a result o
including the factors discussed in the Risk Factors contained in Item 1A of Part I of this report. We have based
that may prove to be wrong, and we could utilize our available capital resources sooner than we currently expect.

Because of the numerous risks and uncertainties associated with the development of medical devices, such as our
we are unable to estimate the exact amounts of capital outlays and operating expenditures necessary to complete o
successfully deliver a commercial product to market. If we do not dissolve and liquidate our assets, uur future fun
depend on many factors, including but not limited to:

- the scope, rate of progress and cost of our clinical trials and other research and development activities;
- the cost of filing and prosecuting patent applications and defending and enforcing our patent and other
- the cost of defending, in litigation or otherwise, any claims that we infringe third-party patent or other
- the terms and timing of any collaborative, licensing and other arrangements that we may establish;
- the cost and timing of regulatory approvals;
- the cost and timing of establishing sales, marketing and distribution capabilities;
- the cost of establishing clinical and commercial supplies of our products and any products that we may
- the effect of competing technological and market developments; and

- licensing technologies for future development.

Future capital requirements will also depend on the extent to which we acquire or invest in businesses, products a
currently have no commitments or agreements relating to any of these types of transactions.

Contractual Obligations

Our principal commitments as of March 31, 2009 consist of obligations under operating leases and purchase oblig
through the normal course of business. See Note 7 of our Notes to Condensed Financial Statements for more deta

Off-Balance Sheet Arrangements

Since inception, we have not engaged in any off-balance sheet activities as defined in Regulation S-K Item 303(a)

Recent and Adopted Accounting Pronouncements

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Lia
amendment of FASB Statement No. 115* (SFAS No. 159). SFAS No. 159 expands the use of fair value accounti
standards which require assets or liabilities to be carried at fair value. The objective of SFAS No. 159 is to improv
providing companies with the opportunity to mitigate volatility in reported earnings caused by measuring related
differently without having to apply complex

hedge accounting provisions. Under SFAS No. 159, a company may elect to use fair value to measure eligible ite and report unrealized gains and losses on items for which the fair value option has been elected in earnings at eac Eligible items include, but are not limited to, accounts and loans receivable, available-for-sale and held-to-maturi investments, accounts payable, guarantees, issued debt and firm commitments. If elected, SFAS No. 159 is effecti after November 15, 2007. The adoption of SFAS 159 has not impacted our results of operations and financial con the fair value option for any of our eligible items.

In April 2009, the FASB issued FSP SFAS 107-1 and APB 28-1, *Interim Disclosures about Fair Value of Financ* amends SFAS No. 107, *Disclosures about Fair Value of Financial Instruments*, to require publicly-traded compa Opinion No. 28, *Interim Financial Reporting*, to provide disclosures on the fair value of financial instruments in i statements. Prior to the issuance of FSP FAS No. 107-1 and APB Opinion No. 28-1, the fair values of those asset disclosed only once each year. With the issuance of FSP FAS No. 107-1 and APB Opinion No. 28-1, we will now information on a quarterly basis, providing quantitative and qualitative information about fair value estimates for measured in the Condensed Consolidated Balance Sheets at fair value. FSP SFAS 107-1 and APB 28-1 are effecti after June 15, 2009. We will adopt the new disclosure requirements in the second quarter of fiscal 2009. We do n have a material impact on our condensed financial condition, results of operations, or cash flows.

On January 1, 2009, the we adopted SFAS No. 157-2, *Effective Date of FASB Statement No. 157*, (FSP SFAS 15 effective date of SFAS No. 157 for all nonfinancial assets and nonfinancial liabilities, except those that are recogn value in the financial statements on a recurring basis to fiscal years beginning November 15, 2008. The adoption not have a material impact on our financial position, operating results or cash flows.

On January 1, 2009, we adopted SFAS No. 157-3, *Determining the Fair Value of a Financial Asset When the Ma Active,* (FSP SFAS 157-3), which clarifies the application of Statement 157 in a market that is not active and p key considerations in determining the fair value of a financial asset when the market for that financial asset is not SFAS No. 157-3 did not have a material impact on our financial position, operating results or cash flows.

In April 2009, the FASB issued FSP SFAS 157-4, *Determining Fair Value When the Volume and Level of Activit Have Significantly Decreased and Identifying Transactions That Are Not Orderly,* or FSP SFAS 157-4, which pro for estimating fair value in accordance with SFAS 157 when the volume and level of activity for the asset or liabi decreased. This FSP re-emphasizes that regardless of market conditions the fair value measurement is an exit pri SFAS 157. This FSP clarifies and includes additional factors to consider in determining whether there has been a market activity for an asset or liability and provides additional clarification on estimating fair value when the mar liability has declined significantly. The scope of this FSP does not include assets and liabilities measured under l 157-4 is applied prospectively to all fair value measurements where appropriate and will be effective for interim a after June 15, 2009. We will adopt the provisions of FSP SFAS 157-4 effective the second quarter of fiscal 2009, have a material impact on our condensed financial condition, results of operations, or cash flows.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest rate risk

The primary objective of our investment activities is to preserve our capital for the purpose of funding operations maximizing the income we receive from our investments without significantly increasing risk. To achieve these o policy allows us to maintain a portfolio of cash equivalents and investments in a variety of marketable securities, money market funds and U.S. government and agency securities. Our cash and cash equivalents as of March 31, 2 market funds, U.S. government securities and commercial paper. We did not have short-term investments as of M short-term nature of our investments, we believe that there is no material exposure to interest rate risk.

Exchange rate risk

Under our Supply Agreement with Fortimedix B.V., we have market risk exposure to adverse changes in foreign
the stents we purchase from Fortimedix requires payment in euros. Fluctuations in the euro to U.S. dollar exchang
cost of our product. To date, we have not experienced any significant negative foreign exchange transaction losse
costs if there is a decline in the exchange rate between the U.S. dollar and the euro. Based upon the supply agreen
purchase commitments have been delayed until we receive approval from the FDA to begin clinical trials in the U
do not engage in speculative or leveraged transactions, nor do we hold financial instruments for trading purposes.

If we expand our overseas operations, our operating results may become subject to more significant fluctuations b
rates of foreign currencies in relation to the U.S. dollar. We will periodically analyze our exposure to currency flu
policies to address any future potential exchange rate risk.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclo
or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods speci
forms, and that such information is accumulated and communicated to our management, including our Chief Exec
Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

We carried out an evaluation, under the supervision and with the participation of our management, including our C
Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures
Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based upon this evaluation, our Chief Executive Officer
concluded that our disclosure controls and procedures were effective as of March 31, 2009.

Changes in Internal Control Over Financial Reporting

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the E
during the three months ended March 31, 2009 that has materially affected, or is reasonably likely to materially af
over financial reporting.

PART II: OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 1A. RISK FACTORS

On May 11, 2009 our board of directors approved the Plan of Dissolution and we plan to file a preliminary proxy
May 15, 2009 for the purpose of obtaining stockholder approval of the Plan of Dissolution. If our stockholders ap
Dissolution, we will pursue a revenue clearance certificate from the Department of Finance of the State of Delaw
Certificate of Dissolution with the State of Delaware Secretary of State. The risks described below under the capt
of Dissolution address risks we and our stockholders face if the Plan of Dissolution is approved.

Risks Related to Our Plan of Dissolution

**The amount we distribute to our stockholders pursuant to the Plan of Dissolution may be substantially less
currently estimate if the amounts of our liabilities, other obligations and expenses and claims against us are
anticipate.**

The amount of cash ultimately distributed to stockholders pursuant to the Plan of Dissolution depends on the amo
obligations and expenses and claims against us, and contingency reserves that we establish, during the liquidation
generate from the sale of our remaining non-cash assets and intellectual property. We have attempted to estimate

liabilities, obligations, expenses and claims against us. However, those estimates may be inaccurate. Factors that include the following:

- If any of the estimates regarding the Plan of Dissolution, including the net proceeds from the sale of ou and test equipment, furniture and supplies, and the expense of satisfying outstanding obligations, liabilities and cl process are inaccurate, the amount we distribute to our stockholders may be substantially less than the amount we the current macroeconomic conditions, for purposes of our estimates we have assigned no value to our drug elutin intellectual property. If claims are asserted against us, including any claims related to payments to suppliers or ot patients in our clinical trials, we will have to defend or resolve such claims before making distributions to our stoc amounts otherwise available for distribution to our stockholders;

- We have made estimates regarding the expense of personnel required and other operating expenses (in and other professional fees) necessary for us to dissolve and liquidate. Our actual expenses could vary significant and manner of the sale of our non-cash assets. If the timing differs from our plans, we may incur additional exper estimates, which could substantially reduce funds available for distribution to our stockholders; and

- We have assumed that all material contract rights can be effectively transferred to third parties. If we required consents with the counterparties to those contracts, our ability to transfer such rights may be impaired.

We may continue to incur the expenses of complying with public company reporting requirements, which m burdensome.

Whether or not the Plan of Dissolution is approved, we have an obligation to continue to comply with the applica the Exchange Act, even though compliance with such reporting requirements may be economically burdensome a stockholders. If the Plan of Dissolution is approved by our stockholders, in order to curtail expenses, we intend, o Date, to seek relief from the SEC to suspend our reporting obligations under the Exchange Act, and ultimately to our common stock. We anticipate that, if granted such relief, we would continue to file current reports on Form 8 events relating to our dissolution and liquidation along with any other reports that the SEC might require. To the suspend our obligation to file periodic reports with the SEC, we will be obligated to continue complying with the requirements of the Exchange Act and, as a result, will be required to continue to incur the expenses associated w requirements, which will reduce the cash available for distribution to our stockholders. These expenses include, a relating to:

- the preparation, review, filing and dissemination of SEC filings;

- maintenance of effective internal controls over financial reporting; and

- audits and reviews conducted by our independent registered public accountants.

If the amount of our contingency reserve is insufficient to satisfy the aggregate amount of our liabilities and stockholder may be liable to our creditors for the amount of liquidating distributions received by such stoc Dissolution, which could also have adverse tax consequences.

After the Effective Date, our corporate existence will continue, but we will not be able to carry on any business ex winding up our business and affairs. Following the Effective Date, we will pay or make reasonable provision to p obligations, including all contingent, conditional or unmatured contractual or statutory claims, known to us. We a insurance coverage or establish and set aside a reasonable amount of cash or other assets as a contingency reserve or other obligations. In the event that the amount of the contingency reserve, insurance and other measures calcul satisfaction of liabilities and claims are insufficient to satisfy the aggregate amount ultimately found payable in re claims against us, each stockholder could be held liable for amounts due to creditors up to the amounts distributed

stockholder under the Plan of Dissolution. In such event, a stockholder could be required to return all amounts re pursuant to the Plan of Dissolution and ultimately could receive nothing under the Plan of Dissolution. Moreover purposes, payments made by a stockholder in satisfaction of our liabilities not covered by the cash or other assets or otherwise satisfied through insurance or other reasonable means generally would produce a capital loss for such liabilities are paid. The deductibility of any such capital loss generally would be subject to limitations under the I 1986, as amended, or the Code.

Liquidating distributions to our stockholders could be delayed or diminished.

All or a portion of any distributions to our stockholders could be delayed, depending on many factors, including,

- if a creditor or other third party seeks an injunction against the making of distributions to our stockhol amounts to be distributed are needed to provide for the satisfaction of our liabilities or other obligations;

- if we become a party to lawsuits or other claims asserted by or against us, including any claims or litig with our decision to liquidate and dissolve, payments to suppliers or other vendors or claims from patients in our

- if we are unable to sell our remaining non-cash assets or if such sales take longer than expected;

- if we are unable to resolve claims with creditors or other third parties, or if such resolutions take longe

- if the issuance of the revenue clearance certificate required to file our certificate of dissolution with th delayed.

Any of the foregoing could delay or substantially diminish the amount available for distribution to our stockholde Delaware General Corporation Law, or DGCL, claims and demands may be asserted against us at any time during the Effective Date. Accordingly, our board of directors may obtain and maintain insurance coverage or establish amount of cash or other assets as a contingency reserve to satisfy claims against us or other obligations that may a period following the Effective Date. As a result of these factors, we may retain for distribution at a later date, son amounts that we expect to distribute to stockholders.

Stockholders will lose the opportunity to capitalize on potential growth opportunities from the continuation

Although our board of directors believes that the Plan of Dissolution is more likely to result in greater returns to s
continued as a stand-alone entity or pursued other alternatives, if the Plan of Dissolution is approved, stockholder
capitalize on our business and possible future growth opportunities that may have arisen if we had continued our
pursued other alternatives. It is possible that these opportunities could prove to be more valuable than the liquida
stockholders would receive pursuant to the Plan of Dissolution.

Stockholders may not be able to recognize a loss for U.S. federal income tax purposes until they receive a fi

As a result of our dissolution and liquidation, for U.S. federal income tax purposes, our stockholders generally wi
equal to the difference between (i) the sum of the amount of cash and the fair market value (at the time of distribu
distributed to them, and (ii) their tax basis for their shares of our common stock. Liquidating distributions pursua
may occur at various times and in more than one tax year. Any loss generally will be recognized by a stockholde
receives our final liquidating distribution to stockholders, and then only if the aggregate value of all liquidating di
share is less than the stockholder s tax basis for that share. Stockholders are urged to consult their own tax advis
consequences to them of our dissolution and liquidation pursuant to the Plan of Dissolution.

Recordation of transfers of our common stock on our stock transfer books will be restricted as of a future d directors will determine, and thereafter it generally will not be possible for stockholders to change record o

Our board of directors may direct that our stock transfer books be closed and recording of transfers of common st earliest of (x) the close of business on the record date fixed by our board of directors for the first or any subsequer liquidating distribution, (y) the close of business on the date on which our remaining assets are transferred to a liq on or as reasonably practicable after the date on which we file our certificate of dissolution under the DGCL. We directors will close our stock transfer books on or around the Effective Date. The Effective Date will be determin revenue clearance certificate from the Department of Finance and will be announced as soon as reasonably practic Thereafter, certificates representing shares of our common stock will not be assignable or transferable on our boo succession or operation of law, and we will not issue any new stock certificates, other than replacement certificate that we will request that our common stock be delisted from the NASDAQ Global Market and that trading will be Date or as soon thereafter as is practicable.

Further stockholder approval may not be required in connection with the implementation of the Plan of Di sale of all or substantially all of our non-cash assets as contemplated in the Plan of Dissolution.

The approval of the Plan of Dissolution by our stockholders also will authorize, without further stockholder actio and perform, or to cause our officers to do and perform, any and all acts and to make, execute, deliver or adopt an resolutions, conveyances, certificates and other documents of every kind that our board of directors deems necess in the absolute discretion of the board of directors, to implement the Plan of Dissolution and the transactions cont without limitation, all filings or acts required by any state or federal law or regulation to wind up its affairs. Acco timing of a stockholder vote on the Plan of Dissolution, we may dispose of our drug eluting stent systems and rela any and all of our other remaining non-cash assets without further stockholder approval. As a result, our board of actions in implementing the Plan of Dissolution, including the terms and prices for the sale of our drug eluting ste intellectual property and our other remaining non-cash assets, with which our stockholders may not agree.

Our board of directors may revoke implementation of the Plan of Dissolution even if it is approved by our

Even if our stockholders approve the Plan of Dissolution at the special meeting of our stockholders, if for any rea determines that such action would be in our best interests and the best interests of our stockholders, our board of d discretion and without requiring further stockholder approval, revoke the Plan of Dissolution and all action conte extent permitted by the DGCL. A revocation of the Plan of Dissolution would result in our stockholders not recei distributions pursuant to the Plan of Dissolution.

Risks Related to Our Continuing Business Operations if the Plan of Dissolution is Not Approved by Our St

If our stockholders do not approve the Plan of Dissolution, our board of directors will explore what, if any, alterna future, particularly in light of the fact that we have terminated substantially all of our employees, would need sign support our U.S. pivotal clinical trial and efforts to commercialize our products in Europe, commenced the proces and will continue to incur net losses for the foreseeable future. There is currently no active business left to operate

may not be possible, or would take several months at a cost we are unable to estimate.

Possible alternatives include selling all of our stock or assets, changing our business focus, conducting an issuer t efforts to identify a merger partner or a reverse merger partner, or seeking voluntary dissolution at a later time an this time, our board of directors has considered all of these options and has determined that it is in the best interes to dissolve and return the cash to stockholders. The board of directors, however, retains the right to consider othe attractive offer arise before or after the filing of our Certificate of Dissolution, if the Plan of Dissolution is approv our stockholders do not approve the Plan of Dissolution, we expect that our cash resources will continue to dimin related to continuing our historical business described below. These risks could materially and adversely affect o condition or operating results and the value of our common stock, and you may lose all or part of your investmen we select may have unanticipated negative consequences.

The risks below describe the risks related to our business if the Plan of Dissolution is not approved and we strategy of using our cash on hand, any cash generated from financing activities, and any cash that may be eluting stent business to support our continued operations while we continue to explore whether there may potential value from our remaining business assets.

The risks and uncertainties described below are not the only ones facing us, and our risks and uncertainties may c Dissolution is not approved and we alter our business strategy. Additional considerations not presently known to believe are immaterial may also impair our business operations. If any of the following risks actually occurs, our or operating results could be materially and adversely affected, the value of our common stock could decline and or part of their investment.

Risks Related to Our Business

We are exploring strategic alternatives such as a potential merger or a sale of some or all of our assets, and headcount significantly. If we are not successful in completing a strategic transaction or securing adequate wind up and liquidate our business.

We engaged Piper Jaffray & Co. to help us explore potential strategic alternatives such as a sale of some or all of transaction. There can be no assurance that we will be able to complete such a transaction on terms acceptable to sufficient cash to commercialize our product in Europe or, even if we are successful in obtaining an investigationa to initiate our U.S. pivotal clinical trial. If we are unsuccessful in identifying and completing a strategic transacti funding, we may not be able to continue our operations and may need to wind up our business and liquidate our a

In January 2009, we notified our employees that we would reduce our headcount by eliminating 115 of 122 positi 2009. The significant reduction in headcount may make it less likely that we will be able to complete a strategic t parties who might otherwise consider a strategic transaction may be unwilling to do so if they are not able to retai Likewise, certain third parties who might otherwise consider a strategic transaction may be unwilling to do so in announced the approval of the Plan of Dissolution by our board of directors.

Even if we are successful in completing a strategic transaction, the nature of such a transaction may requir cease our current operations.

Among other strategic alternatives, we are considering the sale of individual assets, such as our Custom NXP peri bioabsorbable stent technology, our customizable drug eluting balloon technology and our principal product, the system. To date, our activities have primarily focused on the development of the Custom NX systems. If we sell will need to refocus our efforts and dedicate significant resources to the development of one or more of our non-c no assurance that we will be able to successfully develop, market and commercialize any or all of such products. transaction, we sell one of our non-core products, we may not receive sufficient consideration to fund the Europea Custom NX system or the initiation of our IDE trial.

Even if we obtain additional funding or complete a strategic transaction that provides adequate resources, before we are able to commercialize our product in Europe.

We have significantly reduced our headcount and limited our business activities. Before we could resume the ope commercialize our product, we would need to rehire a significant number of employees or hire and train new emp jobs according to our specifications. There can be no assurance that we will be able to rehire our former employe new employees in a timely manner, or at all. In addition, before we can commercialize our product in Europe, we manufacturing capacity and validate our manufacturing process to demonstrate compliance with applicable qualit would likely take six to nine months to complete. Further, under the terms of the agreements we have with severa required to provide regular forecasts of the components we plan to purchase from them during a particular period obligated to supply us only with the number of components that we previously forecasted. Therefore, once manu commence, it may take several months before we have adequate supplies of critical components required to make

We need substantial additional funding and may be unable to raise capital in adequate amounts, or at all, v delay, reduce or eliminate our product development programs or commercialization efforts.

Due to the ongoing credit crisis and general deterioration of the capital markets we have been unable to date to se We have engaged Piper Jaffray & Co. to help us explore strategic alternatives, including raising additional capital assurance that any strategic alternative will result in adequate, or any, capital being made available to us. We need additional capital to:

- fund our operations and clinical trials;
- continue our research and development;
- scale-up our manufacturing operations;
- defend, in litigation or otherwise, any claims that we infringe third-party patent or other intellectual property rig
- commercialize our products, if any such products receive regulatory approval for commercial sale; and
- acquire or in-license companies, products or intellectual property.

After our reduction in headcount, we believe our existing cash and cash equivalent balances and interest we earn
sufficient to meet our cash requirements for the next 12 months, although our business activities will be limited u
financing is obtained, if at all. Our future funding requirements will depend on many factors, including:

- the nature and timing of any strategic transaction we may complete, if any;
- the scope, rate of progress and cost of our clinical trials and other research and development activities;
- the cost of filing and prosecuting patent applications and defending and enforcing our patent and other intellectu
- the cost of defending, in litigation or otherwise, any claims that we infringe third-party patent or other intellectu
- the terms and timing of any collaborative, licensing and other arrangements that we may establish;
- the cost and timing of regulatory approvals;
- the cost and timing of establishing sales, marketing and distribution capabilities;
- the cost of establishing clinical and commercial supplies of our products and any products that we may develop
- the effect of competing technological and market developments;
- licensing technologies for future development; and
- the extent to which we acquire or invest in businesses, products and technologies, although we currently have n
agreements relating to any of these types of transactions.

If we raise additional funds by issuing equity securities, our stockholders may experience dilution. Debt financin
restrictive covenants. Any debt financing or additional equity that we raise may contain terms that are not favora
or may not be available at all. To raise capital, we may decide to sell unregistered stock at a discount to market w
warrants. The sale of securities at a discount or the issuance of warrants may result in additional dilution to our ex
connection with this type of financing, we would likely be obligated to register such shares for resale at a later da
funds through collaboration and licensing arrangements with third parties, it may be necessary to relinquish some

our products, or grant licenses on terms that are not favorable to us. If we are unable to raise adequate funds, we m
all of our assets or delay, reduce the scope of or eliminate some or all of our development programs.

We require additional capital beyond our current cash balance. For example, we will need to raise additional fund our products. Any such required additional capital may not be available on reasonable terms, if at all. We estimate approximately $45.0 million to complete our CUSTOM IV and V clinical trials. In addition, we would need to sp regulatory approvals and for activities to commercialize our Custom NX DES Systems, if approved. The develop of our custom length stent technology and new products will also require the expenditure of significant financial r years to complete.

If adequate funds are not available, we may have to delay development or commercialization of our products or li rights to commercialize products or technologies that we would otherwise seek to commercialize. We also may ha customer support or other resources devoted to our products. Any of these factors could harm our financial condit

We are a development stage company with a history of losses, and we expect to incur net losses for the fore

We have incurred net losses since our inception in June 2002. For the years ended December 31, 2008, 2007, and $41.1 million, $38.8 million and $25.0 million, respectively. As of March 31, 2009, we had an accumulated defic we have financed our operations primarily through private placements of our equity securities and our Initial Publ February 1, 2007, and have devoted substantially all of our resources to research and development and clinical stu NX DES Systems, which consist of the Custom NX 36 and the Custom NX 60. Since we have only recently rece have approval from the Food and Drug Administration, or FDA, or any other regulatory authority for our product market our current products in the European Union and certain other countries that recognize CE Mark, and we ha revenues since our inception. If we continue as an operating business, we expect our research and development ex significantly in connection with our clinical trials and other product development activities. If we obtain additiona strategic transaction that provides adequate resources, we expect to incur significant sales and marketing expenses expenses as we commercialize our products. As a result, we expect to continue to incur significant and increasing foreseeable future. These losses will continue to have an adverse effect on our stockholders equity.

We are wholly dependent on a third party for the development of the drug coating placed on our drug eluti failure by such third party to successfully develop the drug coating or to submit acceptable Drug Master Fi authorities could delay commercialization of our Custom NX DES Systems in the United States.

In May 2004, we entered into a license agreement with Biosensors. In December 2007, we entered into an amend agreement with Biosensors which superseded the prior agreement. Pursuant to the agreement, we obtained non-ex Biosensors drug coating on our stent platform. The drug coating consists of Biolimus A9®, an anti-inflammatory rapamycin, and PolyLactic Acid, or PLA, a biodegradable polymer used to release the drug over time. In January that it had received CE Mark approval for its BioMatrix drug eluting stent which uses the Biolimus A9 and PLA c coating has not been approved for any use in the United States or any jurisdiction other than the European Union. CE Mark approval for our Custom NX DES Systems authorizing us to market our Custom NX DES Systems in th certain other countries that recognize CE Mark.

In order to obtain IDE approval from the FDA allowing us to initiate our CUSTOM IV clinical trial in the United the premarket approval, or PMA, allowing us to commercialize our Custom NX DES Systems in the United State submit acceptable MAFs related to our drug coating to the FDA on our behalf. We believe the MAF which Biose FDA for purposes of our IDE application is sufficient to support an IDE approval, but we expect the FDA to cond the MAF as part of our PMA review, and they may have additional questions at that time. Any delays Biosensors

has in responding to questions the FDA may have concerning the MAF may substantially delay the commercial la
United States.

We currently do not have, and may never have, any products available for sale and our efforts to obtain pr commercialize our products may not succeed or may result in delays for many reasons.

We are a development stage medical device company with a limited history of operations and we currently do not for sale or other sources of revenue. Our ability to generate revenue depends entirely upon the successful clinical approval and commercialization of our Custom NX DES Systems. Our products under development and any othe will require extensive additional clinical testing, regulatory approval and significant marketing efforts before they any revenue. Our efforts to commercialize our products may not succeed for a number of reasons including:

- our products may not demonstrate safety and efficacy in our clinical trials;

- we are wholly dependent on the efforts undertaken by the supplier of the drug coating for our products, and may any regulatory delays or barriers that our supplier may encounter in submitting an adequate or acceptable MAF fo regulatory authorities on our behalf;

- we may not be able to obtain regulatory approvals for our products, or the approved indications for our products seek;

- we may experience delays in our development program, including initiation and completion of our clinical trials

- any products that are approved may not be accepted in the marketplace by physicians and patients;

- physicians may not receive adequate coverage and reimbursement for procedures using our products;

- any rapid technological change may make our technology and products obsolete;

- we may not be able to manufacture our Custom NX DES Systems in commercial quantities or at an acceptable c

- we may not have adequate financial or other resources to complete the development and commercialization of o Systems; and

- we may be sued for infringement of intellectual property rights and could be enjoined from manufacturing or se

We cannot market our products in the United States until we receive PMA. If we are not successful in the initiatio
trials for the development, approval and commercialization of our Custom NX DES Systems for the treatment of
CAD, we may never generate any revenue and may be forced to cease operations.

We have not received, and may never receive, FDA or other regulatory approvals to market our Custom N

Our Custom NX DES Systems are combination products, incorporating both a drug element and a medical device
will be regulated as a Class III medical device in the United States. Information regarding the drug coating for ou
the FDA s Center for Drug Evaluation and Research, or CDER, based on the MAF submitted by Biosensors on c
be reviewed by the FDA s Center for Devices and Radiological Health, or CDRH, with the overall product subje
medical device. We believe that no separate approval for the drug independent of the device is required.

We do not currently have the necessary regulatory approvals to market our Custom NX DES Systems or any othe
States or in any foreign markets, other than the European Union and certain other countries that recognize CE Ma
regulatory approvals and provided we obtain additional funding or complete a strategic transaction that provides a
initially to launch our products in the European Union and later in the United States.

The regulatory approval process in the United States for our products involves, among other things, successfully r
the FDA to conduct clinical trials under an IDE, completing pre-clinical and clinical trials, and applying for and o
FDA. The PMA process requires us to demonstrate the safety and efficacy of our products to the FDA s satisfact
and uncertain and requires detailed and comprehensive scientific and human clinical data. While the FDA review
to three years after filing the PMA application, our PMA application review could take much longer and may nev
PMA. The FDA could delay, limit or deny approval of our PMA application for many reasons, including:

- our stent systems may not be safe or effective or may not otherwise meet the FDA s requirements;

- the data from our pre-clinical studies and clinical trials may be insufficient to support approval;

- the manufacturing process or facilities we or our suppliers use may not meet stringent regulatory requirements;

- the information provided by the supplier of the drug coating in the MAF it submits to the FDA on our behalf ma

- changes in FDA approval policies or adoption of new regulations may require us to provide additional data.

We will also have to obtain similar, and in some cases more stringent, foreign regulatory approval in order to com
outside of the United States. Even if approved, our Custom NX DES Systems may not be approved for the indicat
desirable for successful commercialization. We may not obtain the necessary regulatory approvals to market our p
or in foreign markets other than the European Union and certain other countries that recognize CE Mark. Any del
maintain approval for our products could prevent us from generating revenue or achieving profitability.

**Preliminary third-party data has raised concerns that drug eluting stents may cause an increase in late-sten
to these concerns, regulatory authorities in the United States and Europe have issued statements and develo
for the approval of drug eluting stents. As a result of these enhanced guidelines we may experience further
regulatory clearances for our products and, even if approved, the preliminary third-party data concerning
significantly impair market acceptance of our products.**

On September 14, 2006, the FDA issued a *Statement on Coronary Drug-Eluting Stents*, which discusses clinical d
March 2006 American College of Cardiology Scientific Sessions in Atlanta, Georgia and at the September 2006 E
Cardiology Annual Meeting/World Congress of Cardiology Meeting in Barcelona, Spain. This data suggested a si
in the rate of death and myocardial infarction, or heart attack, potentially due to late-stent thrombosis, in patients t
stents at 18 months to three years after stent implantation. The FDA stated that, while these studies have raised im
the safety and efficacy of drug eluting stents, it is not possible to fully characterize the mechanisms, risks and inci
thrombosis following implantation of drug eluting stents based on currently available data. The FDA has not issue
regarding the safety of drug eluting stents. Although more recent studies have suggested that the safety of drug elu
that of bare metal stents, the FDA and the European regulatory agencies have issued new guidelines for the appro
which require additional clinical data and may prolong the process for obtaining regulatory approval.

In March 2007, the European Medicines Agency proposed new guidelines for the approval of drug eluting stents. are more rigorous than the previous standards, were finalized in May 2008 and became effective in December 200

In March 2008, the FDA published draft guidance regarding non-clinical and clinical studies for drug eluting sten includes recommendations regarding the following areas:

- Engineering testing,
- Biocompatibility testing,
- Animal studies,
- Chemistry and manufacturing controls,

- Clinical pharmacology and drug release,

- Drug pharmacology, toxicology and safety data,

- Clinical studies, and

- Post approval studies.

In April 2008, the FDA also conducted a public workshop on the draft guidance documents and provided clarifica
Although the draft guidelines are currently considered non-binding recommendations, they have been published f
expected that the FDA will conduct any application review for new drug eluting stent catheter systems following
highlighted in the guidance.

Complying with the new and more rigorous standards in the United States and Europe may require us to obtain ad
further studies. This may delay regulatory approval of our products. In addition, if in the future, new studies rais
safety of drug eluting stents, the DES market in general may shrink and market acceptance of our products may b

**If Biosensors fails to supply us with sufficient quantities of our drug coating, development and commerciali
DES Systems may be prevented or delayed as a result.**

We obtain our entire supply of the drug coating, PLA and BA9 for our stents from Biosensors and we are unawar
for this drug coating. Under the amended and restated license agreement which we entered into with Biosensors i
the right to purchase the components of the drug coating, which are the drug and the PLA, from Biosensors in ord
formulation ourselves. We have completed the work necessary to perform the formulation ourselves, but we will
formulated drug coating from Biosensors until we obtain certain regulatory approvals necessary in order to perfor
commercial use outside the United States. We do not have the right to use alternate suppliers for this drug coating
Biosensors, or the components of the drug coating which we plan to purchase from them in the future. In addition
the drug coating or components and we are contractually restricted from obtaining Biolimus A9 from any other so
in-licensed an alternative drug for use in the event we are unable to obtain a sufficient supply of Biolimus A9. Cu
a sole-source, Nippon Kayaku, a third-party Japanese pharmaceutical company, to manufacture and supply them
Biosensors mixes with the PLA. We have no relationship with, control over, or contact with this pharmaceutical c
directly with it to obtain Biolimus A9 if we are unable to obtain Biolimus A9 from Biosensors. In addition, the ph
subject to significant legal and regulatory requirements with regard to the production of Biolimus A9, including o
Manufacturing Practices regulations, or GMP, which are strictly enforced by the FDA, and the Ministry of Health
Japan and any failure on the part of the pharmaceutical company to comply with these requirements may interrup
Biolimus A9 and ultimately, our supply of the drug coating. Biosensors has also entered into, and may continue to
supply the drug coating to other licensees. Our clinical trials and the development and commercialization of our C
could be prevented or delayed if:

- the supplier of our drug coating is unable or refuses to meet our demand;

- our license agreement with Biosensors terminates for any reason, including insolvency; or

- the supplier of our drug coating does not meet regulatory quality requirements and other specifications, certain r
be obtained.

To date, our drug coating requirements have been limited to small quantities that we need to conduct our develop
clinical trials. If we obtain market approval for our products, and we are able to launch our product commercially
substantially larger quantities of the drug coating or the components of the drug coating. Biosensors may not prov
quantities of the drug coating or components and such supply may not meet our quality requirements or other spe
have, in the past, experienced interruptions in the supply of adequate quantities of acceptable drug coating. In the
adequate supplies of acceptable drug coating or components, we will likely be unable to locate an alternative supp
in a timely manner or on commercially reasonable terms, if at all. Any additional new source for Biolimus A9, the
will require the consent of Biosensors and prior FDA approval, which will require significant time and effort to ob

can be no assurance that we will obtain such regulatory approval. The inability to obtain sufficient quantities of th components, or any delay in obtaining such supply could delay our clinical trials or affect the commercialization Systems, which could have a significant adverse affect on our future operations.

We rely on third parties to test the drug coating for our stents, and these third parties may use test method their own. If we must obtain a license to use these methods or develop new testing methods, we may experie initiate clinical trials or to obtain regulatory approvals for our products as a result.

Certain tests related to the drug coating on our stents must be performed before the stents can be used in clinical t commercial sale. We have agreed with Biosensors that we will be responsible for performing some of these tests. technology or methods to perform all this testing in-house, and plan to rely on third parties to conduct some of the certain third parties who we believe have the capability to conduct this testing using methods that do not violate th others. We can provide no assurance, however, that these testing methods will not violate such rights. If others as methods, we may need to obtain a license giving us the right to use the testing methods or identify or develop oth the required testing. We cannot assure you that a license will be available to us or that it will be available on term we are unable to obtain a license, we cannot assure you that we will be able to identify or develop alternate testing needs without delaying our regulatory submissions or approvals. This may result in a delay in the release of, or an stents for use in U.S. clinical trials or commercial products and our ability to generate revenue would be adversely

We do not have long-term data regarding the safety and efficacy of our Custom NX DES Systems. Any long generated may not be consistent with our limited short-term data, which could affect the regulatory approv rate at which our products are adopted.

An important factor in our clinical trials, upon which the safety and efficacy of our Custom NX DES Systems ma restenosis, or the renarrowing of the treated artery over time, and the rate of reintervention, or retreatment followi Custom NX DES Systems. We believe that physicians and regulators will compare the rates of long-term restenos Custom NX DES Systems against other drug eluting or bare metal stent procedures and other alternative procedur

If, in our large-scale comparative pivotal clinical trial, we fail to demonstrate restenosis and reintervention rates, a end-points and performance, comparable to other drug eluting and bare metal stents that have been approved by th successfully market our Custom NX DES Systems may be significantly limited. If the long-term rates of restenos meet regulators or physicians expectations, our Custom NX DES Systems may not receive regulatory approval become widely adopted and physicians may recommend that patients receive alternative drug eluting stents, such Taxus ® Express2 stent, the Taxus Liberte stent, the Endeavor® stent, the XienceTM V stent and the PromusTM stents currently marketed in the United States. Another important factor upon which the safety and efficacy of our will be measured is the incidence of late-stent thrombosis following procedures using our drug eluting stents. Som small but significant increase in the rate of death and heart attack associated with drug eluting stents when compa possibly due to late-stent thrombosis. The FDA convened a public meeting of its Circulatory System Devices Adv and 8, 2006 with the intention of obtaining additional information on the risks, timing and incidence rates of late- March 2008, the FDA published draft guidance regarding non-clinical and clinical studies for drug eluting stents data has raised concerns that drug eluting stents may cause an increase in late-stent thrombosis. We cannot assur once obtained, will be different than that suggested in the recent studies regarding late-stent thrombosis.

Additionally, other efficacy factors may influence a physician s decision over what stents to deploy. Our Custom segments may separate excessively at the time of deployment in the artery or over time. Any such separation may between the segments or other adverse events. If the results obtained from our clinical trials indicate that our prod effective as other treatment options or as current short-term data would suggest, our products may not be approve may suffer and our business would be harmed.

If our pre-clinical studies or clinical trials do not meet safety or efficacy endpoints, or if we experience sign these studies or trials, our ability to commercialize our Custom NX DES Systems or other products and ou impaired.

Before marketing and selling our Custom NX DES Systems or any other products, we must successfully complete clinical trials that demonstrate that our products are safe and effective. We currently have a very limited amount o safety and efficacy of our Custom NX DES Systems, and no published data beyond three years. The results from clinical experience for our Custom NX DES Systems do not necessarily predict long-term clinical benefit and ma subsequent clinical trials. Furthermore, all of our existing data has been produced in studies that involve relatively the data may not be reproduced in wider patient populations. We need to conduct additional large-scale clinical tr products are safe and effective and to support our applications for regulatory approval in the United States. We ex these additional clinical studies will be a comparative study comparing the safety and efficacy of our stents to the stent, the Cypher stent, the Taxus Express2 stent, the Taxus Liberte stent or the Endeavor ® stent, the six drug elu United States, or to other stents that may become approved for marketing in the United States, and that these stud populations of approximately 2,100 patients implanted with our device.

The commencement or completion of any of our clinical trials may be delayed or halted for numerous reasons, inc the following:

• insufficient personnel and financial resources to conduct and fund our clinical trials;

• in connection with our PMA application, Biosensors fails to respond in a timely manner, if at all, to questions th concerning a MAF Biosensors submits to the FDA on our behalf;

• the FDA or other regulatory authorities do not approve our clinical trial protocols or our clinical trials, or suspen hold;

• patients do not enroll in clinical trials at the rate we expect;

• third-party clinical investigators do not conduct follow-up visits with patients or patients drop out of the clinical expect;

• patients experience adverse events, which may or may not be related to our products;

• patients die during a clinical trial for a variety of reasons, including the advanced stage of their disease and med may not be related to our products;

• third-party clinical investigators do not perform our clinical trials on our anticipated schedule or consistent with good clinical practices or other regulatory requirements, or other third-party organizations do not perform data co timely or accurate manner;

• regulatory inspections of our clinical trials or manufacturing facilities, which may, among other things, require u action or suspend or terminate our clinical trials if investigators find us or our suppliers not in compliance with re

• changes in governmental regulations or administrative actions;

• the interim results of our clinical trials are inconclusive or negative; or

• our clinical trial designs, although approved, are inadequate to demonstrate safety and/or efficacy.

Before we can commence our planned pivotal clinical trial in the United States for our Custom NX DES Systems approval of our IDE application. We filed our IDE application in September 2007, and in October 2007, we recei FDA. In February 2009, we resubmitted our IDE application, and in April 2009, we received additional comment receive IDE approval from the FDA, we will not be able to initiate our IDE trial unless we obtain additional fundi transaction that provides adequate resources. We cannot guarantee that such a financing or strategic transaction w agreeable to us, or at all.

Product development, including pre-clinical studies and clinical testing, is a long, expensive and uncertain proces
may take us several years to complete our testing, if we complete it at all, and a clinical trial may fail at any stage
from any clinical trial may be inadequate to support a PMA application or any foreign regulatory applications. Ac
clinical data can also be interpreted in different ways, which could delay, limit or prevent regulatory approval for

Clinical trials necessary to support a PMA application will be expensive and will require the enrollment of and suitable patients may be difficult to identify and recruit.

Clinical trials necessary to support a PMA application for our Custom NX DES Systems will be expensive and wi
large numbers of patients, and suitable patients may be difficult to identify and recruit. The clinical trials supporti
the Cypher stent, the Taxus Express2 stent and the Endeavor stent, which are approved by the FDA and currently
populations of approximately 1,000, 1,300 and 1,100 respectively. We expect that we will need to provide the FD
approximately 2,100 patients implanted with our device, with 12-month follow-up to support our PMA applicatio
to submit data on a greater number of patients or a longer follow-up period. For example, at an FDA workshop he
recommended 18 month follow-up on at least 50% of patients. Patient enrollment in clinical trials and completion
on many factors, including the size of the patient population, the nature of the trial protocol, the proximity of patie
eligibility criteria for the clinical trial and patient compliance. For example, patients may be discouraged from enr
the trial protocol requires them to undergo extensive post-treatment procedures or follow-up to assess the safety a
or they may be persuaded to participate in contemporaneous clinical trials of competitive products. In addition, pa
clinical trials may die before completion of the trial or suffer adverse medical events unrelated to our products. De
failure of patients to continue to participate in a clinical trial may cause an increase in costs and delays or result in
trial.

Physicians may not widely adopt our Custom NX DES Systems unless they determine, based on experience and published peer reviewed journal articles, that the use of our Custom NX DES System provides a safe a other existing treatments for coronary artery disease, and meets other physician expectations.

Physicians tend to be slow to change their medical treatment practices because of perceived liability risks arising
and the uncertainty of third-party coverages and reimbursement. We believe that physicians will not widely adopt
Systems unless they determine, based on experience, long-term clinical data and published peer reviewed journal
Custom NX DES Systems provides a safe and effective alternative to other existing treatments for coronary artery
artery bypass grafting, or CABG, balloon angioplasty, bare metal stents and other drug eluting stents, such as Joh
stent and Boston Scientific s Taxus Express2 stent. In particular, the use of bare metal stents has reportedly increa
eluting stents has reportedly decreased, at certain hospitals in the United States and elsewhere as a result of recent
higher incidence rate of late stent thrombosis. We cannot predict the effect that this or other data questioning the s
will have on the drug eluting stent market.

We cannot provide any assurance that the data collected from our current and planned clinical trials will be suffic
Custom NX DES Systems are an attractive alternative to other drug eluting stent procedures. If we fail to demons
is at least comparable to other drug eluting or bare metal stents that have received regulatory approval and that are
ability to successfully market our Custom NX DES Systems will be significantly limited. Even if the data collecte
clinical experience indicate positive results, each physician s actual experience with our Custom NX DES Systen
conducted with our Custom NX DES Systems have involved procedures performed by physicians who are technic
high-volume users of drug eluting stents. Consequently, both short- and long-term results reported in these clinica
more favorable than typical results of practicing physicians, which could negatively impact rates of adoption of ou
safety and efficacy, we believe that product characteristics such as ease of use and consistency of performance are

able to meet physician expectations with respect to these characteristics, market acceptance and adoption of our p
We also believe that published peer-reviewed journal articles and recommendations and support by influential ph
Custom NX DES Systems will be important for market acceptance and adoption, and we cannot assure you that w
recommendations and support, or that supportive articles will be published.

Problems with the stent to be used in the control group during our U.S. pivotal clinical trial could adversely

We expect our pivotal clinical trial in the United States to compare the performance, including safety and efficacy of a currently marketed drug eluting stent, or a drug eluting stent that becomes approved for marketing in the near clinical trial could be significantly delayed or harmed if the stent we use for the control group experiences problem six currently marketed drug eluting stents, the Xience V stent, the Promus stent, the Cypher stent, the Taxus Expr stent or the Endeavor stent, or a drug eluting stent that becomes approved for marketing in the near future, as the pivotal clinical trial. In July 2004, Boston Scientific announced the recall of approximately 85,000 Taxus stent sy 11,000 Express2 stent systems due to characteristics in the delivery catheters that had the potential to impede ball balloon angioplasty procedure. In August 2004, Boston Scientific announced that it would recall an additional 3,0 during the enrollment and treatment period for our planned pivotal clinical trial, there is a recall of the control ste removed from the market, our trial would likely be substantially delayed. The FDA could also require us to redesi an alternative control stent. Any significant delay or redesign could impair our ability to commercialize our Custo

Our products are based on a new technology, and we have only limited experience in regulatory affairs, wh or the time required to obtain necessary regulatory approvals, if at all.

Drug eluting stents were introduced in the United States in 2003. To date, the FDA has approved only the Taxus the Cypher, the Endeavor, the Xience V and the Promus drug eluting stents for commercial sale. Because drug elu and long-term success measures have not been completely validated, regulatory agencies, including the FDA, ma time in evaluating product approval applications for those types of products. Treatments may exhibit a favorable an unfavorable measure using another metric. Any change in the accepted metrics may result in reconfiguration o trials. Furthermore, the result of recent studies suggesting a correlation between drug eluting stents and incidents further delay and complicate the regulatory pathway for our products. Additionally, we have limited experience in applications necessary to gain regulatory approvals, and we have limited personnel and resources to dedicate to th these applications. As a result, we may experience a long regulatory process in connection with obtaining regulato products.

If the third parties on which we rely to conduct our clinical trials and to assist us with pre-clinical developm contractually required or expected, we may not be able to obtain regulatory approval for or commercialize

We do not have the ability to independently conduct clinical trials for our products, and we must rely on third par organizations, medical institutions, clinical investigators and contract laboratories to conduct our clinical trials. In parties to assist with the pre-clinical development of our products. If these third parties do not successfully carry o regulatory obligations or meet expected deadlines, if these third parties need to be replaced, or if the quality or ac is compromised due to the failure to adhere to our clinical protocols or regulatory requirements or for other reason development activities or clinical trials may be extended, delayed, suspended or terminated, and we may not be ab approval for or successfully commercialize our products on a timely basis, if at all. Furthermore, our third-party c be delayed in conducting our clinical trials for reasons outside of their control.

Even if our products are approved by regulatory authorities, if we or our suppliers fail to comply with ongo requirements, or if we experience unanticipated problems with our products, these products could be subje withdrawal from the market.

Any product for which we obtain marketing approval, along with the manufacturing processes, post-approval clin
activities for such product, will be subject to continual review and periodic inspections by the FDA and other regu
we and our suppliers are required to comply with the Quality System Regulation, or QSR, for the manufacture of
Systems and GMP for the manufacture of our drug coating and other regulations, which cover the methods and do
testing, production, control, quality assurance, labeling, packaging, storage and shipping of any product for which
approval. The FDA enforces the GMP and QSR through unannounced inspections. We and our third-party manuf
not yet been inspected by the FDA and will have to successfully complete such inspections before we receive reg
products. Failure by us or one of our suppliers, including the supplier of our drug coating, to comply with statutes

regulations administered by the FDA and other regulatory bodies, or failure to take adequate response to any obse
among other things, any of the following enforcement actions:

- warning letters or untitled letters;
- fines and civil penalties;
- unanticipated expenditures;
- delays in approving, or refusal to approve, our products;
- withdrawal or suspension of approval by the FDA or other regulatory bodies;
- product recall or seizure;
- orders for physician notification or device repair, replacement or refund;
- interruption of production;
- operating restrictions;
- injunctions; and
- criminal prosecution.

If any of these actions were to occur it would harm our reputation and cause our product sales and profitability to
component suppliers may not currently be or may not continue to be in compliance with applicable regulatory req

Even if regulatory approval of a product is granted, the approval may be subject to limitations on the indicated us be marketed. If the FDA determines that our promotional materials, training or other activities constitute promotio could request that we cease or modify our training or promotional materials or subject us to regulatory enforceme that other federal, state or foreign enforcement authorities might take action if they consider our training or other constitute promotion of an unapproved use, which could result in significant fines or penalties under other statuto prohibiting false claims for reimbursement.

Moreover, any modification to a device that has received FDA approval that could significantly affect its safety o constitute a major change in its intended use, design or manufacture, requires a new approval from the FDA. If th determination by us that new approval is not required, we may be required to cease marketing or to recall the mod approval. In addition, we could also be subject to significant regulatory fines or penalties.

In addition, we may be required to conduct costly post-market testing and surveillance to monitor the safety or eff we will be required to report adverse events and malfunctions related to our products. Later discovery of previous our products, including unanticipated adverse events or adverse events of unanticipated severity or frequency, ma failure to comply with regulatory requirements such as QSR or GMP, may result in restrictions on such products withdrawal of the products from the market, voluntary or mandatory recalls, fines, suspension of regulatory appro injunctions or the imposition of civil or criminal penalties. For example, Boston Scientific has initiated significan due to manufacturing and other quality issues associated with the products.

Further, healthcare laws and regulations may change significantly in the future. Any new healthcare laws or regul our business. A review of our business by courts or regulatory authorities may result in a determination that could operations. Also, the healthcare regulatory environment may change in a way that restricts our operations.

Failure to obtain regulatory approval in foreign jurisdictions will prevent us from marketing our products

Subject to the availability of sufficient resources, we intend to market our products in international markets. Altho Mark authorizing us to market our Custom NX DES Systems in the European Union and certain other countries t order to market our products in many other foreign jurisdictions, we must obtain separate regulatory approvals, a additional clinical trials. The approval procedure varies among countries and can involve additional testing, and t approval may differ from that required to obtain FDA approval. The foreign regulatory approval process may incl associated with obtaining FDA approval in addition to other risks. We may not obtain foreign regulatory approva Approval by the FDA does not ensure approval by regulatory authorities in other countries, and approval by one f does not ensure approval by regulatory authorities in other foreign countries or by the FDA. We may not be able t approvals and may not receive necessary approvals to commercialize our products in any markets other than the E

Risks Related to Our Intellectual Property

Third parties hold a large number of patents related to stents and we do not have rights to many of these p

Intellectual property rights, including in particular patent rights, play a critical role in the medical device industry business. We face significant risks relating to patents, both as to our own patent position as well as to patents held third-party intellectual property claim against us is successful, we could be prevented from commercializing our C other products.

There are numerous U.S. and foreign issued patents and pending patent applications owned by third parties with p the focus of our product development efforts. We are aware of patents owned by third parties, to which we do not among other things:

- use of rapamycin or its analogs to treat restenosis;

- stent structures and materials;

- catheters used to deliver stents; and

- stent manufacturing and coating processes.

Cordis, a subsidiary of Johnson & Johnson, is the owner of a number of patents and patent applications directed to rapamycin or its analogs mixed in a polymer coating on a drug eluting stent for the treatment of restenosis. These the Wright family of patents and the Falotico family of patents. Wyeth owns, and has licensed to Cordis, th are directed to the use of rapamycin for the treatment of restenosis, including the delivery of rapamycin from a ste drug.

Boston Scientific holds rights to the Grainger family of patents directed to methods of inhibiting smooth muscl using certain compounds and to the Kunz family of patents directed to methods for maintaining vessel luminal cytostatic, or cell division inhibiting, agent.

Various patents owned by third parties are directed to stent structures and materials. These patents include a group owned by Guidant Corporation, a subsidiary of Boston Scientific whose stent technology has been acquired by Al certain rights retained by Boston Scientific, which are directed to flexible stent structures. The Boneau family are directed to stents comprising multiple closed-loop elements. The Fariabi family of patents, formerly owned stents comprising cobalt- chromium alloys. The Israel and Pinchasik families of patents, owned by Medinol meandering strut patterns. A patent owned by Wall is directed to a radially collapsible mesh sleeve.

Other third-party patents are directed to stent delivery catheter technology. There are also a number of patents tha Corporation directed to rapid exchange catheters for angioplasty and stent delivery. These include, without limitat Horzewski families of patents, directed to rapid exchange angioplasty catheters, and the Lau family of paten catheters. Boston Scientific owns other patents directed to rapid exchange angioplasty catheters, including, the E

Medtronic owns certain patents directed to guidewire handling technology in stent delivery catheters, including co
Crittenden and Kramer. A patent issued to

Fischell is directed to a sheathed stent delivery catheter. Guidant Corporation also held a patent issued to Cox, dir
catheter having an adjustable-length balloon. Certain patents owned by Boston Scientific or its subsidiaries are als
catheters having adjustable-length balloons. Certain patents owned by third parties relate to methods for coating s
Hossainy family of patents that were held by Guidant Corporation are directed to methods of coating stents wi
layer.

While one of the Yock patents directed to rapid exchange angioplasty catheters was due to expire in October 2008
application for patent extension under the Hatch-Waxman Act and was recently granted an interim extension of th
one year by the US Patent and Trademark Office. Before October, 2009, the US Patent and Trademark Office wil
of the extension to which Abbott may be entitled under the Hatch-Waxman Act. This could result in an extension
even beyond October 2009.

The patents described above could be found to cover our technology and may materially and adversely affect our
patents are given only as examples and there may be other patents in addition to those described above that may n
affect our business. Moreover, because patent applications can take many years to issue and remain confidential f
filing, there may be currently pending applications, unknown to us, which may later result in issued patents that p

Many of our competitors are much larger than we are, with significant resources and incentives to initiate

Based on the prolific litigation that has occurred in the stent industry and the fact that we may pose a competitive
well-capitalized companies that own or control patents relating to stents and their use, manufacture and delivery,
that one or more third parties will assert a patent infringement claim against the manufacture, use or sale of our C
based on one or more of these patents. It is also possible that a lawsuit asserting patent infringement and related c
and it is possible that a lawsuit may have already been filed against us of which we are not aware. A number of th
very large and well-capitalized companies that are active participants in the stent market. As the number of compe
stent market grows, the possibility of inadvertent patent infringement by us or a patent infringement claim against

These companies have maintained their position in the market by, among other things, establishing intellectual pr
products and enforcing these rights aggressively against their competitors and new entrants into the market. All o
stent and related markets, including Abbott Vascular (which acquired Guidant s stent technology), Boston Scient
Medtronic, have been repeatedly involved in patent litigation relating to stents since at least 1997. For example, i
Scientific, Medtronic, and Abbott Vascular have each been sued by Johnson & Johnson and/or Wyeth for infringe
and/or Falotico patents. The stent and related markets have experienced rapid technological change and obsolesce
competitors have strong incentives to stop or delay the introduction of new products and technologies. We may pe
many of the companies in the stent and related markets. Accordingly, many of these companies will have a strong
through patent litigation or otherwise, to prevent us from commercializing our products.

**Any lawsuit, whether initiated by us to enforce our intellectual property rights or by a third party against u
may cause us to expend significant financial and other resources, and may divert our attention from our bu**

In any infringement lawsuit, a third party could seek to enjoin, or prevent, us from commercializing our Custom N future products, may seek damages from us and any such lawsuit would likely be expensive for us to defend agai intellectual property litigation could result in significant expense. Some of our competitors, such as Boston Scient Abbott Vascular and Medtronic, have considerable resources available to them and a strong economic incentive t efforts to stop or delay us from bringing our Custom NX DES Systems to market and achieving market acceptanc a development stage company with comparatively few resources available to us to engage in costly and protracted determine that patents held by third parties are valid and infringed by us and we may be required to:

• pay damages, including up to treble damages and the other party s attorneys fees, which may be substantial;

• cease the development, manufacture, use and sale of products that infringe the patent rights of others, including Systems, through a court-imposed sanction called an injunction;

• expend significant resources to redesign our technology so that it does not infringe others patent rights, or to d non-infringing intellectual property, which may not be possible;

• discontinue manufacturing or other processes incorporating infringing technology; or

• obtain licenses to the infringed intellectual property, which may not be available to us on acceptable terms, or at

Any development or acquisition of non-infringing products or technology or licenses could require the expenditur other resources and could have a material adverse effect on our business and financial results. If we are required t license to valid patent rights held by a third party, we would likely be prevented from commercializing the relevar is unlikely that we would be able to obtain a license to any necessary patent rights controlled by companies agains directly. If we need to redesign products to avoid third-party patents, we may suffer significant regulatory delays additional studies or submitting technical, manufacturing or other information related to the redesigned product ar regulatory approval.

While our products are in clinical trials, and prior to commercialization, we believe our activities in the United St of data to the FDA could fall within the scope of the statutory infringement exemption that covers activities relate for submission to the FDA. However, this statutory exemption would not cover our stent manufacturing or other a that support overseas clinical trials or commercial sales if those activities are not also reasonably related to develo submission to the FDA. Currently available drug eluting stents are manufactured outside of the United States, wh manufacturers from adverse rulings on U.S. patent infringement claims. In an adverse ruling, a court may order ar company to stop its U.S. domestic manufacturing operations. We currently do not have any plans to manufacture United States and any finding of patent infringement against us in the United States could result in our being enjo products in the United States and could affect our ability to sell our products in the European Union. In any event has asserted a patent infringement claim against us to date should not be taken as an indication, or provide any lev infringement claim will not be asserted against us prior to or upon commercialization.

In addition, some of our agreements, including our agreement with Biosensors for the supply of the drug coating a SurModics for the supply of the lubricious coating on our catheter require us to indemnify the other party in certa products have been found to infringe a patent or other proprietary rights of others. An indemnification claim agai substantial sums to our licensor or supplier, including its attorneys fees.

If we are unable to obtain and maintain intellectual property protection covering our products, others may our products, which would adversely affect our revenue.

Our ability to protect our products from unauthorized or infringing use by third parties depends substantially on o maintain valid and enforceable patents. As of December 31, 2008 we had seven issued U.S. patents, one of which covering certain aspects of the technology that we intend to commercialize and a number of other issued patents a applications in the United States and abroad. Due to evolving legal standards relating to the patentability, validity covering medical devices and pharmaceutical inventions and the scope of claims made under these patents, our ab patents is uncertain and involves complex legal and factual questions. Accordingly, rights under any of our issued with commercially meaningful protection for our products or afford us a commercial advantage against our comp products or processes. In addition, patents may not issue from any pending or future patent applications owned by moreover, patents that have issued to us or may issue in the future may not be valid or enforceable. Further, even patents may not be sufficiently broad to prevent others from marketing products like ours, despite our patent right

The validity of our patent claims depends, in part, on whether prior art references exist that describe or render obv
filing date of our patent applications. We may not have identified all prior art, such as U.S. and foreign patents or
published scientific literature, that could adversely affect the validity of our issued patents or the patentability of c
applications. For example, patent applications in the United States are maintained in confidence for up to 18 mont
cases, however, patent applications remain confidential in the United States Patent and Trademark Office, or USP
to issuance as a U.S. patent. Patent applications filed in countries outside the United States are not typically publis
from their first filing date. Similarly, publication of discoveries in the scientific or patent literature often lags behi
Therefore, we cannot be certain that we were the first to invent, or the first to file patent applications relating to,

our stent technologies. In the event that a third party has also filed a U.S. patent application covering our stents or
have to participate in an adversarial proceeding, known as an interference, declared by the USPTO to determine p
United States. It is possible that we may be unsuccessful in the interference, resulting in a loss of some portion or
United States. The laws of some foreign jurisdictions do not protect intellectual property rights to the same extent
many companies have encountered significant difficulties in protecting and defending such rights in foreign jurisc
difficulties or we are otherwise precluded from effectively protecting our intellectual property rights in foreign ju
prospects could be substantially harmed.

We may initiate litigation to enforce our patent rights, which may prompt our adversaries in such litigation to cha
enforceability of our patents. If a court decides that our patents are not valid, not enforceable or of a limited scope
to stop others from using our technology.

We also rely on trade secret protection to protect our interests in proprietary know-how and for processes for whic
obtain or enforce. We may not be able to protect our trade secrets adequately. In addition, we rely on non-disclosu
agreements with employees, consultants and other parties to protect, in part, trade secrets and other proprietary tec
may be breached and we may not have adequate remedies for any breach. Moreover, others may independently de
information, and third parties may otherwise gain access to our trade secrets and proprietary knowledge. Any disc
into the public domain or to third parties could allow our competitors to learn our trade secrets and use the inform
us.

We are aware that another medical business that holds patents to certain stent designs has used the name XTENT
past. If it turns out that the other business has superior trademark rights in the name, and if the other business were
XTENT name, we would then need to convince a court that there is no likelihood of consumer confusion. If we w
then we could be held liable for trademark infringement and we might then have to change our name as well as pa
were forced to change our name, we may suffer from a loss of brand recognition, we may be required to retrieve p
and may have to devote substantial resources advertising and marketing our products under a new brand name.

Risks Related to Commercialization

**The medical device industry is highly competitive and subject to rapid technological change. If our competi
develop and market products that are safer, more effective, less costly or otherwise more attractive than an
develop, our commercial opportunity will be reduced or eliminated.**

The medical device industry is highly competitive and subject to rapid and profound technological change. Our su
our ability to maintain a competitive position in the development of technologies and products for use in the treatm

We face competition from established pharmaceutical and biotechnology companies, as well as from academic in
agencies and private and public research institutions in the United States and abroad. Most of the companies deve
competing products are publicly traded or divisions of publicly-traded companies, and these companies enjoy sev
including:

- greater financial and human resources for product development, sales and marketing, and patent litigation;

- significantly greater name recognition;

- established relations with healthcare professionals, customers and third-party payors;

- additional lines of products, and the ability to offer rebates or bundle products to offer higher discounts or incen
advantage;

- established distribution networks; and

- greater experience in conducting research and development, manufacturing, clinical trials, obtaining regulatory
marketing approved products.

For example, Johnson & Johnson, Boston Scientific, Medtronic and Abbott Laboratories, four companies with far marketing resources than we possess, have each developed, and are actively marketing, drug eluting stents that ha FDA. We may be unable to demonstrate that our Custom NX DES Systems offer any advantages over Johnson & Boston Scientific s Taxus Express2, Taxus Liberte or Promus stents, Abbott Laboratories Xience V stent or Me Smaller or early-stage companies may also prove to be significant competitors, particularly through collaborative mergers with or acquisitions by, large and established companies or through the development of novel products a

The industry in which we operate has undergone, and is expected to continue to undergo, rapid and significant tec expect competition to intensify as technical advances are made. Our competitors may develop and patent processe obtain regulatory approvals for competing products more rapidly than us, and develop more effective or less expe technologies that render our technology or products obsolete or non-competitive. For example, we are aware of co various other less-invasive technologies for treating CAD, which could make our stent platform obsolete. We also competitors in recruiting and retaining qualified scientific and management personnel, establishing clinical trial si for clinical trials, as well as in acquiring technologies and technology licenses complementary to our programs or business. If our competitors are more successful than us in these matters, our business may be harmed.

If we are unable to establish sales and marketing capabilities or enter into and maintain arrangements with market our Custom NX DES Systems, our business may be harmed.

We do not have a sales organization and have no experience as a company in the sales, marketing and distribution medical devices. To be successful in commercializing our products we must either develop a sales and marketing distribution arrangements with others to market and sell our products. Subject to the availability of adequate resou product in Europe through independent distributors. We have not hired any European sales people or entered into agreements.

Subject to the availability of adequate resources, after establishing our European sales channels, if our Custom NX for commercial sale in the United States, we currently plan to establish our own direct U.S. sales force. If we deve sales capabilities, our sales force will be competing with the experienced and well-funded marketing and sales op established competitors. Developing a sales force is expensive and time consuming and could delay or limit the su We may not be able to develop this capacity on a timely basis or at all. If we are unable to establish sales and mar need to contract with third parties to market and sell our products in the United States. To the extent that we enter parties to perform sales, marketing and distribution services in the United States or internationally, our product re we directly marketed and sold our products, or any other stent system or related device that we may develop. Furt we enter into co-promotion or other marketing and sales arrangements with other companies, any revenue receive and efforts of others, and we do not know whether these efforts will be successful. Some of our future distributors products or distribute other companies products that compete with ours, and they may have an incentive not to d marketing our products. If we are unable to establish and maintain adequate sales, marketing and distribution capa with others, we may not be able to generate product revenue and may not become profitable.

We have limited device manufacturing and drug coating capabilities and manufacturing personnel, and if o and drug coating facilities or our suppliers are unable to provide an adequate supply of products, our grow business could be harmed.

We currently have limited resources, facilities and experience to commercially manufacture the device componen
the drug coating to the stents. In addition, pursuant to the terms of the restated license agreement with Biosensors
drug coating formulation. Furthermore, effective March 23, 2009, we substantially completed a reduction in our
employees, and we fully completed that reduction by April 30, 2009. None of the remaining employees will be m
order to produce our Custom NX DES Systems in the quantities that we anticipate will be required to meet anticip
will need to increase, or scale-up, the production process by a significant factor over our current level of productio
challenges to scaling-up manufacturing capacity and developing commercial-scale manufacturing facilities that w
substantial additional funds and hiring and retaining additional management and technical personnel who have the
experience. We may not successfully complete any required scale-up in a timely manner or at all. If we are unable
able to produce products in sufficient quantities to meet the requirements for the launch of the product or to meet
develop and obtain regulatory approval for our products and are unable to

manufacture a sufficient supply of our products, our revenue, business and financial prospects would be adversely scaled-up production process is not efficient or produces stents that do not meet quality and other standards, our f decline.

We currently assemble our Custom NX DES Systems and apply the drug coating at our facilities in Menlo Park, C our lease agreement for these facilities, our landlord may terminate our lease at any time on or after May 1, 2010 if it has obtained certain redevelopment rights with respect to the leased premises. Prior to the commercial launch premises will have to be inspected and approved by the FDA, and will likely require additional certifications by th Department of Health Services, or CDHS. Our facility and quality systems are also required to pass annual audits Standardisation Organization, or ISO, compliance. We expect to be audited in the third quarter of 2009, but we do adequate personnel to pass the audit. We will not be able to commercialize our product until we successfully pass inspections of our facilities determine that our facility does not meet applicable standards, or if there is a disruptio manufacturing facility, or if our landlord elects to terminate our lease on or after May 1, 2010, we will have no oth our products until we are able to restore the manufacturing capability at our facility or lease alternative manufactu regulatory approval for these facilities. Because our Menlo Park facilities are located in a seismic zone, we face th may damage our facilities and disrupt our operations. If we are unable to produce sufficient quantities of our prod and planned clinical trials, if we obtain regulatory approval of our products and are unable to produce sufficient q support our planned commercial activities or if our manufacturing process yields substandard products, our develo commercialization efforts would be delayed.

If the cost of our drug coating or other components of our stent systems increase significantly, our business operations may be harmed.

Under the terms of our license agreement with Biosensors, the price we pay for our drug coating or the componen performing the formulation of the coating ourselves, may increase as Biosensors cost of manufacturing and supp components increases. We have experienced one price increase in the past and we may experience additional incr experience significant increases in the cost of our drug coating or other key components of our stent systems, our operations may be harmed.

Our manufacturing facilities and the manufacturing facilities of our suppliers must comply with strictly en requirements. If we fail to achieve regulatory approval for these manufacturing facilities, our business and would be harmed.

Completion of our clinical trials and commercialization of our products require access to, or the development of, f comply with QSR and GMP. We may establish a manufacturing facility outside of the United States and can prov manufacturing facility would meet applicable foreign regulatory requirements or standards at acceptable cost, on addition, the FDA must approve facilities that manufacture our products for domestic commercial purposes, as we processes and specifications for the product. Biosensors and suppliers of components of, and products used to ma also comply with FDA and foreign regulatory requirements, which often require significant time, money and reco assurance efforts and subject us and our suppliers to potential regulatory inspections and stoppages. We, Biosenso may not satisfy these regulatory requirements. If we or our suppliers do not achieve required regulatory approval operations, our commercialization efforts could be delayed, which would harm our business and our results of op

**We depend on single-source suppliers for some of the components in our Custom NX DES Systems. The los
delay our clinical trials or prevent or delay commercialization of our Custom NX DES Systems.**

Although we have identified several vendors for the components of our products, some of our components are cu
vendor, or a single-source supplier. In addition to our reliance on Biosensors as the only source for the supply of
depend on SurModics, which provides the slippery coating on our sheath. Our current agreement with SurModics
terminate the agreement if we do not commercialize our product by July 1, 2009. We do not expect to commercia
We do not have long-term contracts with some of our third-party suppliers of components used in the manufactur
catheters or the cobalt chromium tubing and laser-precision cutting process required to produce the stent segment
addition, we do not have long-term contracts with our third-party suppliers of some of the equipment and compon
manufacturing process and we do not carry a significant inventory of most components used in our products. Esta

additional or replacement suppliers for these components, and obtaining any additional regulatory approvals that r
replacing suppliers, will take a substantial amount of time. We may also have difficulty obtaining similar compon
are acceptable to the FDA or foreign regulatory authorities. Furthermore, since some of these suppliers are locate
States, we are subject to foreign export laws and U.S. import and customs regulations, which complicate and coul
Some of our suppliers are also our competitors and may be reluctant to supply components to us on favorable ter

If we have to switch to replacement suppliers, we will face additional regulatory delays and the manufacture and c
DES Systems would be interrupted for an extended period of time, which would delay completion of our clinical
of our products. In addition, we will be required to obtain prior regulatory approval from the FDA or foreign regu
different suppliers or components that may not be as safe or as effective. As a result, regulatory approval of our p
on a timely basis or at all.

**If we do not achieve our projected development goals in the time frames we announce and expect, the comm
products may be delayed and, as a result, our stock price may decline.**

From time to time, we may estimate and publicly announce the anticipated timing of the accomplishment of vario
other product development goals, which we sometimes refer to as milestones. These milestones could include the
clinical trial for our Custom NX DES Systems, the enrollment of patients in our clinical trials, the release of data
other clinical and regulatory events. The actual timing of these milestones could vary dramatically compared to ou
for reasons beyond our control. We cannot assure you that we will meet our projected milestones and if we do not
publicly announced, the commercialization of our products may be delayed and, as a result, our stock price may d

We may not be successful in our efforts to expand our portfolio of products and develop additional technol

One element of our strategy is to discover, develop and commercialize a portfolio of new products in addition to c
Systems. If we continue as an operating business, as our resources permit, we would plan to conduct such activiti
research programs and intend to explore strategic collaborations for the development of new products utilizing ou
programs to identify new disease targets, products and delivery techniques require substantial technical, financial
whether or not any products are ultimately identified. We may determine that one or more of our pre-clinical prog
potential to warrant the allocation of resources. Our research programs may initially show promise in identifying
yield products for clinical development for many reasons, including the following:

- the research methodology used may not be successful in identifying potential products;

- competitors may develop alternatives that render our products obsolete;

- our products may not be deployed safely or effectively;

- products may on further study be shown to have harmful side effects or other characteristics that indicate they a

- our clinical trials may not be successful; and

- we may not receive regulatory approval.

We depend on certain of our officers, and if we are not able to retain them or recruit additional qualified p suffer.

We are dependent on our President and Chief Executive Officer, Gregory D. Casciaro and our Vice President, Qu Regulatory Affairs, Philippe Marco, M.D. Due to the specialized knowledge both of these officers possesses with cardiology and our business activities, the loss of service of either of these officers could delay or prevent the suc fundraising event, a strategic transaction, or provided that we can continue with our ongoing operations, our clini commercialization of our Custom NX DES Systems. Either of these officers may terminate their employment wit cause or good reason. We carry key person life insurance on Mr. Casciaro but not on Philippe Marco, M.D. In co in force and our plans to explore strategic alternatives, we entered into retention and severance agreements with n including our executive officers. Pursuant to these agreements, we have agreed to make retention payments to ea

provided their employment is not terminated for cause prior to the date upon which we complete a strategic transa
expected termination date, whichever is earlier. The expected termination dates for these employees range from M
2009.

Risks Related to Our Industry

**If we fail to obtain an adequate level of reimbursement for our products from third-party payors, there ma
viable markets for our products or the markets may be much smaller than expected.**

Our failure to receive adequate reimbursement or pricing approvals in the United States or internationally would n
acceptance of our products in the markets in which those approvals are sought. The efficacy, safety, performance
products under development and of any competing products are some of the factors that will determine the availab
of reimbursement. In the United States, a preliminary threshold for coverage and payment of medical devices and
approvals or clearances from the FDA. In addition, there is significant uncertainty concerning third-party coverag
newly approved medical products and drugs. Future legislation, regulation or coverage and reimbursement policie
adversely affect the demand for our products currently under development and limit our ability to profitably sell o
payors continually attempt to contain or reduce healthcare costs by challenging the prices charged for healthcare p
resulting in a downward pressure of reimbursement rates generally. Under recent regulatory changes to the metho
payments for current inpatient procedures in certain hospitals, Medicare payment rates for surgical and cardiac pr
decreased, including approximately 10% to 14% reductions for those procedures using drug eluting stents. The re
transitioned over a three year period that began in fiscal year 2007. In 2007, The Centers for Medicare and Medic
is responsible for administering the Medicare program, also implemented revised reimbursement codes that better
patient s condition in the hospital inpatient prospective payment systemIf coverage and reimbursement for our pr
insufficient or limited in scope or amount, or if pricing is set at unsatisfactory levels, market acceptance of our pro
and our future revenues, if any, would be adversely affected.

Legislative or regulatory reform of the healthcare system may affect our ability to sell our products profita

In the United States and in certain foreign jurisdictions, there have been a number of legislative and regulatory pro
regulatory and healthcare systems in ways that could impact our ability to sell our products profitably, if at all. In
years, new legislation has been proposed at the federal and state levels that would effect major changes in the hea
new regulations and interpretations of existing healthcare statutes and regulations are frequently adopted. Post-pa
are conducted. For example, in 2005 the Office of Inspector General of the U.S. Department of Health and Huma
certain sample claims paid by Medicare contracts for in-patient and out-patient claims involving arterial stent imp
whether Medicare payments for these services were appropriate. The OIG found that 20 of 72 reviewed claims di
reimbursement requirements. Findings of ongoing or widespread inappropriate billing of arterial stents could lead
area, which in turn, could affect our ability to raise capital, obtain additional collaborators and market our product
experience pricing pressures in connection with the future sale of our products due to the trend toward managed h
influence of health maintenance organizations and additional legislative proposals. Our results of operations could
these and other future healthcare reforms.

We face the risk of product liability claims and may not be able to obtain insurance.

Our business exposes us to the risk of product liability claims that is inherent in the testing, manufacturing and ma
We may be subject to product liability claims if our stents cause, or merely appear to have caused, an injury. Clai
consumers, healthcare providers, third-party strategic collaborators or others selling our products. Although we ha
clinical trial liability insurance that we believe is appropriate, this insurance is subject to deductibles and coverage
product liability insurance may not continue to be available to us on acceptable terms, if at all, and, if available, th
adequate to protect us against any future product liability claims. In addition, if any of our products are approved
additional insurance coverage. If we are unable to obtain insurance at acceptable cost or on acceptable terms with
otherwise protect against potential product liability claims, we will be exposed to significant liabilities, which ma
product liability claim, recall or other claim with respect to uninsured liabilities or for amounts in excess of insure
material adverse effect on our business, financial condition and results of operations.

We may be subject to claims against us even if the apparent injury is due to the actions of others. For example, we physicians, nurses and other associated medical personnel to perform the medical procedure and related processes stents into patients. If these medical personnel are not properly trained or are negligent, the therapeutic effect of o or the patient may suffer critical injury, which may subject us to liability. In addition, an injury that is caused by t such as those who provide us with cobalt chromium tubing for our stents, those that laser cut our stents or the sup may be the basis for a claim against us. Pursuant to some of the written agreements that we have entered into wit physicians participating in our clinical trials, we have agreed to indemnify those institutions and physicians from from third party claims seeking compensation for certain injuries incurred by study subjects. We may have to ind and physicians in connection with future clinical trials.

These liabilities could prevent or interfere with our product commercialization efforts. Defending a suit, regardles could divert management s attention from our business and might result in adverse publicity, which could result inability to recruit, clinical trial patient participants or result in reduced acceptance of our products in the market.

Risks Related to Our Operations

Our operations involve hazardous materials, and we must comply with environmental laws and regulations

We are subject to a variety of federal, state and local regulations relating to the use, handling, storage, disposal, ar hazardous and toxic materials. We could incur costs, fines, and civil and criminal sanctions, third-party property d claims, or could be required to incur substantial investigation or remediation costs, if we were to violate or becom laws. We do not have insurance for environmental liabilities and liability under environmental laws can be joint a regard to comparative fault. Environmental laws could become more stringent over time, imposing greater compli risks and penalties associated with violations, which could harm our business. Compliance with current or future laws and regulations could restrict our ability to expand our facilities, impair our research, development or produc incur other significant expenses. There can be no assurance that violations of environmental laws or regulations w a result of the inability to obtain permits, human error, accident, equipment failure or other causes.

We have limited experience complying with public company obligations, including recently enacted change regulations. Compliance with these requirements will increase our costs and require additional managemer may fail to comply.

We operated as a private company until February 2007 and prior to that, we were not subject to many of the requi companies. Recently enacted and proposed changes in the laws and regulations affecting public companies, inclu Sarbanes-Oxley Act of 2002 and rules related to corporate governance and other matters subsequently adopted by Global Market, will result in increased administrative costs to us and increased legal and accounting fees. The imp heightened corporate governance standards could also make it more difficult for us to attract and retain qualified p of directors, our board committees or as executive officers.

As directed by Section 404 of the Sarbanes-Oxley Act of 2002, the SEC adopted rules requiring us to include a re internal control over financial reporting in our annual report on Form 10-K for the year ended December 31, 2008 report on Form 10-K for the year ending December 31, 2009, the independent registered public accounting firm a

statements must attest to the effectiveness of our internal control over financial reporting. We may be unable to co
requirements by the applicable deadlines. We will be testing our internal control over financial reporting in conne
requirements and could, as part of that documentation and testing, identify material weaknesses, significant defici
requiring further attention or improvement.

We expect that the price of our common stock will fluctuate substantially.

There has been a public market for our common stock for a limited amount of time. The market price for our com
by a number of factors, including:

- the results of our clinical trials;

- the timing of our regulatory approvals;

- announcements related to litigation;

- statements made by Biosensors relating to regulation or supply of the drug coating;

- the announcement of new products or service enhancements by us or our competitors;

- quarterly variations in our or our competitors results of operations;

- changes in earnings estimates, investors perceptions, recommendations by securities analysts or our failure to
estimates;

- the low trading volume of our common stock;

- developments in our industry, including changes in third-party reimbursement; and

• general market conditions and other factors unrelated to our operating performance or the operating performanc

These factors may materially and adversely affect the market price of our common stock.

Our directors, officers and principal stockholders have significant voting power and may take actions that interests of our other stockholders.

As of March 31, 2009, our officers, directors and principal stockholders each holding more than 5% of our comm controlled approximately 75.6% of our outstanding common stock. As a result, these stockholders, if they act tog the management and affairs of our company and most matters requiring stockholder approval, including the electi of significant corporate transactions. This concentration of ownership may have the effect of delaying or preventi might adversely affect the market price of our common stock. This concentration of ownership may not be in the stockholders.

Volatility in the stock price of other companies may contribute to volatility in our stock price.

The NASDAQ Global Market, particularly in recent months, has experienced significant volatility, including with technology, pharmaceutical, biotechnology and other life science company stocks. The volatility of medical techn biotechnology and other life science company stocks often does not relate to the operating performance of the co stock. Further, there has been particular volatility in the market price of securities of early stage and development These broad market and industry factors may seriously harm the market price of our common stock, regardless of In the past, following periods of volatility in the market price of a company s securities, securities class action lit instituted. A securities class action suit against us could result in substantial costs, potential liabilities and the dive attention and resources.

Anti-takeover provisions in our amended and restated certificate of incorporation and amended and restat law, contain provisions that could discourage a takeover.

Anti-takeover provisions of our amended and restated certificate of incorporation and amended and restated bylaw have the effect of deterring or delaying attempts by our stockholders to remove or replace management, engage in changes in control. The provisions of our charter documents include:

• a classified board so that only one of the three classes of directors on our board of directors is elected each year;

• elimination of cumulative voting in the election of directors;

• procedures for advance notification of stockholder nominations and proposals;

- the ability of our board of directors to amend our bylaws without stockholder approval;

• a supermajority stockholder vote requirement for amending certain provisions of our amended and restated certi
our amended and restated bylaws; and

• the ability of our board of directors to issue up to 10,000,000 shares of preferred stock without stockholder appr
conditions and with the rights, privileges and preferences as our board of directors may determine.

In addition, as a Delaware corporation, we are subject to Delaware law, including Section 203 of the Delaware Ge
general, Section 203 prohibits a Delaware corporation from engaging in any business combination with any intere
of three years following the date that the stockholder became an interested stockholder unless certain specific requ
in Section 203. These provisions, alone or together, could have the effect of deterring or delaying changes in incu
contests or changes in control.

**We have not paid dividends in the past and do not expect to pay dividends in the future, and any return on
to the value of our stock.**

We have never paid cash dividends on our common stock and do not anticipate paying cash dividends on our com
future. The payment of dividends on our common stock will depend on our earnings, financial condition and othe
factors affecting us at such time as our board of directors may consider relevant. If we do not pay dividends, our s
because a return on your investment will only occur if our stock price appreciates.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit Number	Description
3.2(1)	Amended and Restated Certificate of Incorporation.
3.4(1)	Amended and Restated Bylaws.
4.1(1)	Specimen Common Stock certificate of the Registrant.
10.1(1)	Form of Indemnification Agreement for directors and executive officers.
10.2(1)	2002 Stock Plan and form of stock option agreements used thereunder.
10.3(1)	2006 Equity Incentive Plan and form of stock option agreement used thereunder.
10.4(1)	2006 Employee Stock Purchase Plan.
10.5(1)	Amended and Restated Investor Rights Agreement dated May 5, 2006 by and among the Registra
10.6(1)	Business Park Lease dated September 15, 2003, as amended November 22, 2005, by and between and 125 Constitution Associates, L.P. for office space located at 125 Constitution Drive, Menlo P California, 94025-1118.
10.8(1)	Master License Agreement dated December 30, 2002, as amended June 30, 2006, by and between SurModics, Inc.
10.9(1)	License Agreement dated July 10, 2006 by and between the Registrant and Millimed A/S.
10.10(2)	Supply Agreement dated April 2, 2007 by and between Registrant and Fortimedix B.V.
10.11(3)	Second Amendment to Lease dated May 17, 2007 by and between the Registrant and 125 Constitu
10.12(4)	Amended and Restated License Agreement dated December 3, 2007 by and between Registrant, E Group, Ltd. and Biosensors Europe S.A.
10.13(5)	Amended 2006 Equity Incentive Plan and form of stock option agreement used thereunder.
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 200
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 200
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant t Sarbanes-Oxley Act of 2002.

(1) Incorporated by reference from our Registration Statement on Form S-1 (Registration No. 333-136371), on January 31, 2007.

(2) Incorporated by reference from our Quarterly Report on Form 10-Q for the quarter ended March 31, 200

(3) Incorporated by reference from our Quarterly Report on Form 10-Q for the quarter ended June 30, 2007,

(4) Incorporated by reference from our Annual Report on Form 10-K for the year ended December 31, 2007

(5) Incorporated by reference from our Quarterly Report on Form 10-Q for the quarter ended September 30, 12, 2008.

Portions of the exhibit have been omitted pursuant to a request for confidential treatment. The confiden
with the SEC.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to
the undersigned thereunto duly authorized.

XTENT, Inc.

Date: May 15, 2009 By: /s/ GREGORY
GREGORY D
President and Chie
(Principal Exe

Date: May 15, 2009 By: /s/ TIMOTHY D.
TIMOTHY D. K
Chief Finan
(Principal Accounting

IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORATION
THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE.

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

XTENT, INC.

SPECIAL MEETING OF STOCKHOLDERS TO BE HELD ON JULY 9, 2009

The undersigned stockholder of XTENT, Inc., a Delaware corporation, hereby acknowledges receipt of the Notice
Stockholders and Proxy Statement each dated June 8, 2009 and hereby appoints Gregory D. Casciaro and Ronald
attorney-in-fact, with full power of substitution, on behalf and in the name of the undersigned to represent the und
Meeting of Stockholders of XTENT, Inc. to be held on July 9, 2009, at 9:00 a.m., local time, at XTENT s offices
Drive, Menlo Park, California 94025-1118, and at any postponement or adjournment thereof, and to vote all share
the undersigned would be entitled to vote if then and there personally present, on the matters set forth on the reve

THIS PROXY WILL BE VOTED AS DIRECTED OR, IF NO INDICATION IS MADE, THIS PROXY W
PROPOSALS AND IN THE DISCRETION OF THE PROXY HOLDERS ON SUCH OTHER BUSINESS
BEFORE THE SPECIAL MEETING AND ANY ADJOURNMENT OR POSTPONEMENT THEREOF.

PLEASE SIGN, DATE AND PROMPTLY RETURN THIS PROXY IN THE ENCLOSED RETURN ENVELO
PREPAID IF MAILED IN THE UNITED STATES

If you vote your proxy by Internet or by telephone, you do NOT need to mail back your proxy card.

SEE REVERSE SIDE

XTENT

Using a **black ink** pen, mark your votes with an **X** as shown in this example. Please do not write outside the desig

ELECTRONIC VOTING INSTRUCTIONS

You can vote by Internet or telephone!

Available 24 Hours a Day, 7 Days a Week!

Instead of mailing your proxy, you may choose one of the two voting methods outlined below to vote your proxy.

VALIDATION DETAILS ARE LOCATED BELOW IN THE TITLE BAR.

Proxies submitted by the Internet or telephone must be received by 11:00 PM Pacific Time on July 8, 2009.

Vote by Internet

Log on to the Internet and go to *http://www.investorvote.com/XTNT*

Follow the steps outlined on the secured website.

Vote by telephone

Call toll free 1-800-652-VOTE(8683) within the United States, Canada and Puerto Rico any time on a touch tone
CHARGE to you for the call.

Follow the instructions provided by the recorded message.

A. Proposals **The Board of Directors recommends a vote FOR Proposals 1 and 2.**

1.	To approve the voluntary dissolution and liquidation of XTENT pursuant to the Plan of Dissolution.	For **o**
2.	To adjourn the Special Meeting to another date, time or place, if necessary in the judgment of the proxy holders, for the purpose of soliciting additional proxies to vote in favor of Proposal 1.	For **o**

B. Non-Voting Items

Change of Address **Please print new address below**

C. Authorized Signature **This section must be completed for your vote to be counted.** **Date and Sign Be**

NOTE: This Proxy should be marked, signed by the stockholder(s) exactly as his or her name appears hereon, an enclosed envelope. If the stock you are voting is registered in the name of two or more persons, each should sign. fiduciary capacity should use their respective titles. If shares are held by joint tenants or as community property, shares are held by a corporation, please give the full corporate name and have a duly authorized officer sign, stati held by a partnership, please have an authorized person sign in the name of the partnership.

Date (mm/dd/yyyy) Signature 1 Please keep signature within box. Signature 2 - Please kee

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