Carus Jeffrey A
Form 4
March 18, 2019

FORM 4

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

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

(Print or Type Responses)

1. Name and Address of Reporting Person *
Carus Jeffrey A

(Last) (First) (Middle)

3499 ROUTE 9 NORTH, SUITE 3C

(Street)

FREEHOLD, NJ 07728

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
UMH PROPERTIES, INC. [UMH]

3. Date of Earliest Transaction (Month/Day/Year)
03/15/2019

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
UMH Properties, Inc.								7,181.7756 (1)	D	
UMH Properties, Inc.								181.2269 (2)	I	Custodial account for Son, Daniel
UMH Properties, Inc.								181.2269 (3)	I	Custodial account for Son, Ethan

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Carus Jeffrey A 3499 ROUTE 9 NORTH, SUITE 3C FREEHOLD, NJ 07728	X			

Signatures

Nelli Madden	03/18/2019
**Signature of Reporting Person	Date

Explanation of Responses:

***** If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

****** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Includes 80.3969 shares acquired through dividend reinvestment on 3/15/2019.

(2) Includes 2.4523 shares acquired through dividend reinvestment on 3/15/2019.

(3) Includes 2.4523 shares acquired through dividend reinvestment on 3/15/2019.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
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2,510,678

2,442,643

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

(2) Securities remaining available for future issuance under equity compensation plans includes 1,078,547 shares available for issuance under the 2006 Employee Stock Purchase Plan.

Table of Contents

Stock Performance Graph

The following graphic representation shows a comparison of total stockholder returns for holders of our common stock from February 2007, the date of our initial public offering, through December 31, 2008, compared with the NASDAQ Composite Index and the NASDAQ Medical Equipment Index. This graphic comparison is presented pursuant to the rules of the Securities and Exchange Commission.

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 the period from June 13, 2002 (Inception) to December 31, 2008 and balance sheet data as of December 31, 2008 and 2007 from our audited financial statements that are included elsewhere in this Form 10-K. We derived the selected statements of operations data for the years ended December 31, 2005 and 2004

and the balance sheet data as of December 31, 2006, 2005, and 2004 from our audited financial statements not included in this Form 10-K.Our historic results are not necessarily indicative of the results that may be expected in the future. You should read this data together with our financial statements and related notes included elsewhere in this report and the information under Management s Discussion and Analysis of Financial Condition and Results of Operations.

Table of Contents

	Cummulative Period from June 13, 2002 (Date of Inception) to December 31, 2008	Year Ended December 31, 2008	2007	2006 (2)	2005	2004
	(in thousands, except per share data)					
Operating expenses:						
Research and development	$ 105,584	$ 31,170	$ 30,888	$ 18,923	$ 12,139	$ 7,118
General and administrative	34,460	10,917	11,269	7,258	2,214	1,883
Total operating expenses	140,044	42,087	42,157	26,181	14,353	9,001
Loss from operations	(140,044)	(42,087)	(42,157)	(26,181)	(14,353)	(9,001)
Interest and other income, net	6,063	966	3,363	1,137	323	110
Net loss	(133,981)	(41,121)	(38,794)	(25,044)	(14,030)	(8,891)
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)	$ (14,030)	$ (8,891)
Net loss per share attributable to common stockholders - basic and diluted (1)		$ (1.78)	$ (1.87)	$ (13.96)	$ (6.84)	$ (5.00)
Weighted-average common shares outstanding - basic and diluted		23,116	20,703	2,732	2,052	1,779

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

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

	December 31, 2008	2007	2006	2005	2004
			(in thousands)		
Balance Sheet Data					
Cash and cash equivalents	$ 13,373	$ 13,366	$ 23,105	$ 6,564	$ 4,761
Short-term investments	5,752	44,394			
Working capital	17,070	54,581	21,066	5,588	4,143
Total assets	23,995	62,415	27,121	8,675	6,136
Reedeemable convertible preferred stock			75,593	35,900	20,406
Total stockholders equity (deficit)	21,508	58,331	(50,780)	(28,372)	(14,925)

Explanation of Responses:

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

Business Overview

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

Table of Contents

Over the past four years, we have been conducting clinical trials to evaluate our Custom NX 36 and Custom NX 60 stent and stent delivery systems. In October 2008, the one year data from our CUSTOM III clinical trial, the two year data from our CUSTOM II clinical trial and the three year data from our CUSTOM I clinical trial were presented at the 2008 Transcatheter Cardiovascular Therapeutics conference in Washington D.C. We believe the data from these clinical trials provided preliminary evidence of safety and efficacy and 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 the European Union and certain other countries that recognize the CE Mark. Even though we have received CE Mark, we will not be able to commercialize our products in the European Union unless we obtain additional financing, or we consummate a strategic transaction that permits us to commercialize in Europe. We can provide no assurance that such a financing or strategic transaction will be 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 market our products in the United States, which we expect will require data from a large clinical trial of up to 2,100 patients. We expect to obtain this data through our planned CUSTOM IV clinical trial, but to initiate the CUSTOM IV trial, we must first obtain clearance of an investigational device exemption, or IDE, from the FDA. We filed our IDE application in September 2007, and in October 2007, we received questions back from the FDA. In February 2009, we resubmitted our IDE application, and expect to receive a response from the FDA by the end of the first quarter of 2009. Even if we receive IDE approval from the FDA, we will not be able to initiate our IDE trial unless we obtain additional financing, or we consummate a strategic transaction that permits us to initiate our IDE trial. We cannot guarantee that such a financing or strategic 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 revenue until one of our products is approved, if ever. We have incurred net losses in each year since our inception in June 2002. Through December 31, 2008, we had an accumulated deficit of $134.0 million. Provided we are able to obtain adequate financing, we 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.

Recent Developments

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 on March 23, 2009, and we expect it to be fully completed by March 31, 2009.

We also engaged Piper Jaffray & Co. in January 2009 to help us explore potential strategic alternatives, which may include, 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. Although we cannot be sure that we will be able to identify or complete a suitable 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 current operations or they may be completely discontinued. For example, if we are acquired by a third party, that third party may choose not to pursue some or any of our

current product development initiatives, such as our Custom NX drug eluting stent systems, our Custom NX peripheral stent technology, 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 and severance agreements with nine of our employees, including our executive officers. Pursuant to these agreements, we have agreed to make retention payments to each of these employees, provided their employment is not terminated for cause prior to the date upon which we complete a strategic transaction, or the employee s expected termination date, whichever is earlier. The expected termination dates for these employees range from March 31, 2009 to July 31, 2009.

Table of Contents

Financial Operations

Revenue

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

Research and Development

Since inception, we have devoted a significant amount of resources to develop our Custom NX DES Systems. From our inception through December 31, 2008, we incurred $105.6 million in research and development expenses related to developing our products, including the clinical trials necessary to support regulatory approval. We expect our research and development expenses to decrease due to the reduction in 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 administrative personnel including stock-based compensation. Other significant expenses include professional fees for accounting and legal services associated with our efforts to obtain and maintain protection for intellectual property related to our Custom NX DES Systems. From our inception through December 31, 2008, we incurred $34.5 million in general and administrative expenses. We expect our general and administrative expenses to 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 2007.

Research and Development

	Years Ended December 31,		Dollar Change
	2008	2007	
	(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, compared to the year ended December 31, 2007, was primarily attributable to:

- An increase of $1.6 million in personnel costs related to the hiring of additional employees in our research and development and manufacturing departments prior to the reduction in force completed in July 2008, and;

- An increase of $0.6 million in rent, depreciation on equipment and facilities costs due to the expansion of 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 offset by;

- A decrease of $1.5 million for prototype parts, supplies, and outside services related to product 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 studies in 2008 as compared to the higher expense related to support of our CUSTOM III clinical trial during 2007.

Table of Contents

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

General and Administrative

	Years Ended December 31,		Dollar Change
	2008	2007	
	(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, compared to the year ended December 31, 2007, was primarily attributable to:

- A decrease of $0.5 million in consulting and other administrative services due to cost saving measures 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 marketing materials; partially offset by

- An increase of $0.2 million in rent, depreciation on equipment and facilities costs due to expansion of our 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 in stock compensation expense related to higher stock option grants in 2008 as compared to 2007, offset by a decrease of $0.2 million in 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 savings measures in early 2009 associated with the March 2009 reduction in force.

Interest and Other Income, Net

	Years Ended December 31,				Dollar Change
	2008		2007		
	(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 year ended December 31, 2007, was primarily attributable to a decrease in the average levels of cash, cash equivalents and short-term investments as well as lower average interest rates.

Income Taxes. Due to uncertainty surrounding the realization of deferred tax assets through future taxable income, we have provided a full valuation allowance and no benefit has been recognized for our net operating loss and other deferred tax assets.

As of December 31, 2008, we had net operating loss carry-forwards of approximately $94.8 million available to reduce future taxable income, if any, for Federal and California state income tax purposes. The Federal income tax net operating loss carry-forward begins expiring in 2022, and the California state income tax net operating loss carry-forward begins expiring in 2015. As of December 31, 2008, we had research and development credit carry-forwards of approximately $4.2 million and $4.4 million available to reduce future taxable income, if any, for Federal and California state income tax purposes, respectively. The Federal income tax research and development credits carry-forwards begin 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 loss carry-forwards that may be used to offset taxable income when a corporation has undergone significant changes in its stock ownership. We have internally reviewed the applicability of the annual limitations imposed by Section 382 caused by previous changes in our stock ownership and believe such limitations should not be significant. Future ownership changes, including changes resulting from any future sales of our equity securities, may adversely affect our ability to use our

Table of Contents

remaining net operating loss carry-forwards. If our ability to use net operating loss carry-forwards is limited, we may be subject to tax on our 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 2006.

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, compared to the year ended December 31, 2006, was primarily attributable to:

- An increase of $5.3 million for prototype parts, supplies, and outside services related to product development for our Custom NX DES Systems, net of a $0.4 million decrease in non-employee stock-based compensation;

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

- An increase of $1.7 million in expenses related to the support of our clinical research studies;

- An increase of $0.8 million in depreciation on equipment and facilities costs as we expanded our 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 licensing fees in the year ended December 31, 2007. We did not make a license payment to these two licensors during the year ended December 31, 2007.

General and Administrative

	Years Ended December 31,		
	2007	2006	Dollar Change
	(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, compared to the year ended December 31, 2006, was primarily attributable to:

- An increase of $1.5 million in personnel costs related to the hiring of additional employees in our finance 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 with operating as a public company;

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

- An increase of $0.5 million in insurance and other administrative expenses associated with operating as a public company.

Table of Contents

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

- These increases were also partially offset by a $0.2 million decrease in compensation costs in the year ended December 31, 2007, compared to the year ended December 31, 2006, due to a $0.2 million relocation bonus 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 year ended December 31, 2006, was primarily attributable to an increase in the levels of cash, cash equivalents and short-term investments as a result of our Initial Public 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, 2007 are summarized as 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, 2008, we had an accumulated deficit of $134.0 million. Prior to our Initial Public Offering, we funded our operations from the private placements of our convertible preferred stock resulting in aggregate net proceeds of $75.6 million through December 31, 2006. On February 1, 2007, we completed our Initial Public Offering, raising $68.2 million in net proceeds. Upon completion of the reduction in force in March 2009, our cash requirements will be greatly reduced and we are working with Piper Jaffray & Co. to explore potential strategic alternatives, which may include, 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. If we are not successful in identifying and completing a strategic transaction or securing adequate funding, we may not be able to continue our operations and may need to wind up our business and liquidate our assets.

If we are successful in identifying and completing a strategic transaction, substantial changes may be made to our current operations or they may be completely discontinued. For example, if we are acquired by a third party, that third party may choose not to pursue some or any of our current product development initiatives, such as our Custom NX drug eluting stent systems, our Custom NX peripheral stent technology, 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 working capital of $17.1 million, and our primary source of liquidity was $19.1 million in cash and cash equivalents and short-term investments.

Table of Contents

Summary of Cash Flows

Our operating, investing and financing activities for the year ended December 31, 2008 and December 31, 2007 are summarized as follows:

	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 million for the year ended December 31, 2007. The net cash used in operating activities for the years ended December 31, 2008 and December 31, 2007 primarily reflects expenses related to product development and clinical trials. These expenses were offset in part by depreciation and amortization, 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 net cash used in investing activities of $44.9 million for the year ended December 31, 2007. Net cash provided by investing activities for the year ended December 31, 2008 was attributable to the maturity of short-term investments of $53.1 million and the proceeds from the sale of investments of $10.0 million, which were partially offset by the purchase of short-term investments of $24.1 million and the purchase of property and equipment of $1.8 million. The net cash used to purchase investments of $118.2 million during the year ended December 31, 2007 was derived from the cash raised by our Initial Public Offering in February 2007. Net cash used in investing activities for the year ended December 31, 2007 was primarily attributable to the purchase of property and equipment totaling $2.2 million. Net cash provided by investing activities for the year ended December 31, 2007 was attributable to the maturity of short-term investments of $71.6 million and the proceeds from the sale of 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 $69.5 million for the year ended December 31, 2007. Net cash provided by financing activities for the year ended December 31, 2008 was primarily attributable to $0.3 million related to the issuance of common stock through the exercise of stock options and the Employee Stock Purchase Plan. Net cash provided by financing activities for the year ended December 31, 2007 was primarily attributable to our Initial Public Offering in 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 authorizing us to market our products in the European Union, we will not be able to commercialize our product unless we obtain additional financing, or we consummate a strategic transaction that permits us to commercialize in Europe. We can provide no assurance that such a financing or strategic transaction will be available on terms agreeable to us, or at all. We anticipate that we will continue to incur substantial net losses for the next several years as we develop our products, conduct and complete clinical trials, pursue additional applications for our technology platform, expand our clinical development team and corporate infrastructure, and prepare for the potential commercial launch of our products. Our current cash and cash 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 of our 122 employees. We substantially completed this reduction on March 23, 2009 and expect to fully complete it by March 31, 2009. With this reduction, we believe that our cash and cash equivalents and short-term investments will be sufficient to meet our anticipated cash requirements through December 31, 2009, although our operations will be limited until such time

Table of Contents

as a strategic transaction is achieved. If we are successful in identifying and completing a strategic transaction, substantial changes may be made to our current operations or they may be completely discontinued. For example, if we are acquired by a third party, that third party may choose to not pursue some or any of our current product development initiatives, such as our Custom NX drug eluting stent systems, our Custom NX peripheral stent technology, our customizable drug eluting balloon technology or our bioabsorbable stent technology. If we are not successful in identifying and completing a strategic transaction or securing adequate funding, we may not be able to continue our 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 operations are forward-looking statements and involve risks and uncertainties, and actual results could vary materially and negatively as a result of a number of factors, including the factors discussed in the Risk Factors contained in Item 1A of Part I of this report. We have based these estimates on assumptions 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 Custom NX DES Systems, we are unable to estimate the exact amounts of capital outlays and operating expenditures necessary to complete ongoing clinical trials and successfully deliver a commercial product to market. Our future funding requirements will 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 intellectual property rights;

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

- 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; and

- licensing technologies for future development.

Future capital requirements will also depend on the extent to which we acquire or invest in businesses, products and technologies, although we 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 payments are due as of 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 lease in Menlo Park, California, which was amended in May 2007, extending the term of the lease through May 31, 2012. We may terminate the lease for any reason on or after May 1, 2010, and the landlord may terminate the lease on or after that date provided that the landlord has obtained certain redevelopment rights with respect to the leased premises.

Table of Contents

We have license agreements with Bisensors and SurModics under which we have minimum royalty commitments. The total royalty payments for these licenses are based on our net revenues and therefore have no maximum. To date, we have paid $140,000 in royalty payments to SurModics, and future commitments are shown in the table above, including an additional $20,000 milestone payment upon regulatory approval of our products. Minimum royalty payments to Biosensors of $100,000 per year begin upon CE Mark approval. In addition, we have 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 manufacture and deliver stents for use in our products. The terms of the agreement required minimum purchases over two years at contractual prices set in Euros. As of December 31, 2008, $5.6 million had been paid for purchases under this supply agreement. Based on the contract, any further purchase commitments have been delayed until we receive approval from the FDA to begin clinical trials in the United States.

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

In October 2007, we entered into a Contract Research Organization Agreement with Bailer Research, Inc., under which Bailer agreed to provide certain monitoring services with respect to our then planned U.S. clinical trial. At the time of signing, the commitment under this contract was estimated to be from $11 to $13 million over a period of 79 months. Payments were to be made in installments based on trial related milestones, and were to begin upon approval from the FDA to begin the clinical trial. In December 2008, we provided Bailer with the 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 was to perform certain data coordination and analysis services in connection with our then planned clinical trial in the United States. We estimated that we would pay a total of $6.9 to $7.7 million to CRF over a period of approximately 75 months. Payments were to be made in installments based on related trial milestones. Upon signing this contract, we paid CRF approximately $638,000 as a prepayment against the initiation of the related services. In January 2009, we provided CRF with the 60-day notice to terminate this contract, and no further amounts are owed under the contract.

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)(4).

Critical Accounting Policies and Estimates

Our management s discussion and analysis of our financial condition and results of operations are based on our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported revenue and expenses during the reporting periods. We evaluate our

estimates and judgments on an ongoing basis. Actual results may differ materially from these estimates under different assumptions or conditions.

While our significant accounting policies are more fully described in Note 2 to our financial statements included elsewhere in this report, we believe that the following accounting policies and estimates are most critical to a full understanding and evaluation of our reported financial results.

Clinical Trial Accruals

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

Table of Contents

Stock-Based Compensation

Beginning on January 1, 2006, we began accounting for stock options granted to employees under the provisions of the Financial Accounting Standards Board, or FASB, Statement No. 123 (revised 2004), *Share-Based Payment*, or SFAS 123(R), which require the recognition of the fair value of stock-based compensation. The fair value of stock options was estimated using a Black-Scholes option pricing model. This model requires the input of subjective assumptions in implementing SFAS 123(R), including expected stock price volatility, expected life and estimated forfeitures of each award. The fair value of equity-based awards is amortized over the vesting period of the award, and we have elected to use the straight-line method of amortization. Due to the limited amount of historical data available to us, particularly with respect to 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 accordance with Accounting Principles Board, or APB, Opinion No. 25, *Accounting for Stock Issued to Employees*, or APB No. 25, Financial Accounting Standards Board, or FASB, Interpretation No. 44, *Accounting for Certain Transactions Involving Stock Compensation*, an interpretation of APB No. 25, and related interpretations. For periods prior to January 1, 2006, we have complied with the disclosure-only provisions of Statement of Financial 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 grants at exercise prices that, for financial reporting purposes, are deemed to be below the estimated fair value of the underlying common stock on the date of grant. We did not obtain contemporaneous valuations by an unrelated valuation specialist that we could rely on during this period. Instead, we relied on our board of directors, which includes several venture capitalists who have considerable experience in the valuation of emerging companies and several members with extensive experience in the medical device industry. Given the absence of an active market for our common stock and uncertainty prior to the second quarter of 2006 as to whether we would pursue an initial public offering, our board of directors, with input from management, determined the estimated fair value of our common stock on the date of grant based on several factors, including:

- the grants involved illiquid securities in a private company;

- the options to acquire shares of our common stock were subject to vesting, generally vesting over a 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 expected CE Mark clearance and our PMA submission with the FDA and the likelihood and timing of product launch;

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

- the likelihood of achieving a liquidity event for the shares of our common stock, such as an initial public 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 the estimated fair value of our common stock. In accordance with the requirements of APB No. 25 through December 31, 2005, we have recorded deferred stock-based compensation expense for the difference between the exercise price of the stock options granted during the year ended December 31, 2005 and the reassessed fair market value of our common stock at the date of grant and we amortize that amount over the vesting period of the stock 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 measurement and recognition of compensation expense for all share-based payment awards granted, modified and settled to our employees and directors after January 1, 2006. During 2008, we granted stock options to employees to purchase approximately 1,079,000 shares of common stock with a weighted-average exercise price of $6.04 per share under the Black-Scholes valuation model.

Table of Contents

As of December 31, 2008, we had total unrecognized stock-based compensation costs of approximately $5.2 million arising from stock option 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 make complex and subjective judgments, assumptions and estimates, which involved inherent uncertainty. Had our board of directors and management used different assumptions and estimates, the resulting fair value of our common stock and the resulting stock-based compensation expense could have been different.

Recent Accounting Pronouncements

On January 1, 2008, we adopted SFAS No. 157, *Fair Value Measurements*, (SFAS 157) as it relates to financial assets and financial liabilities. In February 2008, the Financial Accounting Standards Board (FASB) issued FASB Staff Position (FSP) No. FAS 157-2, *Effective Date of FASB Statement No. 157,* which delayed the effective date of SFAS 157 for all non-financial assets and non-financial liabilities, except those that are recognized or disclosed at fair value in the financial statements on at least an annual basis, until January 1, 2009 for calendar year-end entities. Also in February 2008, the FASB issued FSP No. FAS 157-1, *Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13,* which states that SFAS No. 13, *Accounting for Leases,* (SFAS 13) and other accounting pronouncements that address fair value measurements for purposes of lease classification or measurement under SFAS 13 are excluded from the provisions of SFAS 157, except for assets and liabilities related to leases assumed in a business combination that are required to be measured at fair value under SFAS No. 141, *Business Combinations,* (SFAS 141) or SFAS No. 141 (revised 2007), *Business Combinations,* (SFAS 141(R)). SFAS 157 defines fair value, establishes a framework for measuring fair value in accounting principles generally accepted in the United States of America, and expands disclosures about fair value measurements. The provisions of this standard apply to other accounting pronouncements that require or permit fair value measurements and are to be applied prospectively with limited exceptions. The adoption of SFAS 157 did not have a material impact on our financial position, operating results or cash flows. We have not yet determined the impact on our financial statements from the 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 Generally Accepted Accounting Principles* (SFAS No. 162). SFAS No. 162 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles (the GAAP hierarchy). SFAS No. 162 will become effective 60 days following the SEC s approval of the Public Company Accounting Oversight Board amendments to AU Section 411, *The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles*. We do not expect the adoption of SFAS No. 162 to have a material effect on our results of operations and financial condition.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No. 115* (SFAS No. 159). SFAS No. 159 expands the use of fair value accounting but does not affect existing standards which require assets or liabilities to be carried at fair value. The objective of SFAS No. 159 is to improve financial reporting by providing companies with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. Under SFAS No. 159, a company may elect to use fair value to measure eligible items at specified election dates and report unrealized gains and losses on items for which the fair value option has been elected in earnings at

each subsequent reporting date. Eligible items include, but are not limited to, accounts and loans receivable, available-for-sale and held-to-maturity securities, equity method investments, accounts payable, guarantees, issued debt and firm commitments. If elected, SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. Currently, we have not expanded our eligible items subject to the fair value option under SFAS No. 159. The adoption of SFAS 159 has not impacted our results of operations and financial condition.

In June 2007, the FASB ratified EITF Issue No. 07-3, *Accounting for Nonrefundable Advance Payments for Goods or Services Received for Use in Future Research and Development Activities* (EITF No. 07-3). EITF No. 07-3 requires that nonrefundable advance payments for goods or services that will be used or rendered for future research and development

Table of Contents

activities be deferred and capitalized and recognized as an expense as the goods are delivered or the related services are performed. EITF No. 07-3 is effective, on a prospective basis, for fiscal years beginning after December 15, 2007. We are currently evaluating the effect that 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)). SFAS No. 141(R) establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any noncontrolling interest in the acquiree and the goodwill acquired. SFAS No. 141(R) also establishes disclosure requirements to enable the evaluation of the nature and financial effects of the business combination. SFAS No. 141(R) is effective for fiscal years beginning after December 15, 2008, and will be adopted by us in the first quarter of fiscal 2010. We continue to evaluate the potential 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 while at the same time maximizing the income we receive from our investments without significantly increasing risk. To achieve these objectives, our investment policy allows us to maintain a portfolio of cash equivalents and investments in a variety of marketable securities, including commercial paper, money market funds and U.S. government securities. Our cash and cash equivalents as of December 31, 2008 consisted primarily of liquid money market funds and certificates of deposits and U.S. Treasury notes. Our short-term investments as of December 31, 2008 consisted primarily of U.S. government and agency securities. Due to the 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, we have market risk exposure to adverse changes in foreign exchange rates. The cost of the stents we purchase from Fortimedix requires payment in Euros. Fluctuations in the Euro to U.S. dollar exchange rate therefore impacts the cost of our product. In addition, we have expenses accrued in Euros for payments related to our Custom I, II, III and PK clinical trials. To date, we have not experienced any significant negative foreign exchange transaction losses. As a policy, we 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 based on changes in exchange rates of foreign currencies in relation to the U.S. dollar. We will periodically analyze our exposure to currency fluctuations and may adjust our policies to address any future potential exchange rate risk.

Table of Contents

ITEM 8. FINANCIAL STATEMENTS

XTENT, INC.

INDEX TO FINANCIAL STATEMENTS

Table of Contents

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 (deficit) and of cash flows present fairly, in all material respects, the financial position of XTENT, Inc. (a development stage company) at December 31, 2008 and 2007, and the results of its operations and its cash flows, for each of the three years in the period ended December 31, 2008 and, cumulatively for the period from June 13, 2002 (Inception) to December 31, 2008, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PRICEWATERHOUSECOOPERS LLP

San Jose, California
March 24, 2009

Table of Contents

XTENT, INC.

(a development stage company)

BALANCE SHEETS

(in thousands, except per share amounts)

	December 31, 2008	2007
ASSETS		
Current assets:		
Cash and cash equivalents	$ 13,373	$ 13,366
Short-term investments	5,752	44,394
Prepaid expenses and other current assets	432	905
Total current assets	19,557	58,665
Property and equipment, net	4,100	3,601
Other non-current assets	338	149
Total assets	$ 23,995	$ 62,415
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 943	$ 1,960
Accrued liabilities	1,544	2,124
Total current liabilities	2,487	4,084
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	23
Additional paid-in capital	155,511	151,496
Deferred stock-based compensation	(56)	(364)
Accumulated other comprehensive income	11	36
Deficit accumulated during the development stage	(133,981)	(92,860)
Total stockholders equity	21,508	58,331
Total liabilities and stockholders equity	$ 23,995	$ 62,415

The accompanying notes are an integral part of these financial statements

Table of Contents

XTENT, INC.

(a development stage company)

STATEMENTS OF OPERATIONS

(in thousands, except per share amounts)

	Year Ended December 31,			Cummulative Period from June 13, 2002 (Inception) to December 31,
	2008	2007	2006	2008
Operating expenses:				
Research and development (1)	$ 31,170	$ 30,888	$ 18,923	$ 105,584
General and administrative (1)	10,917	11,269	7,258	34,460
Total operating expenses	42,087	42,157	26,181	140,044
Loss from operations	(42,087)	(42,157)	(26,181)	(140,044)
Interest and other income, net	966	3,363	1,137	6,063
Net loss	(41,121)	(38,794)	(25,044)	(133,981)
Deemed dividend related to beneficial conversion feature of redeemable convertible preferred stock			(13,095)	(13,095)
Net loss attributable to common stockholders	$ (41,121)	$ (38,794)	$ (38,139)	$ (147,076)
Net loss per share attributable to common stockholders - basic and diluted	$ (1.78)	$ (1.87)	$ (13.96)	
Weighted-average common shares outstanding - basic and diluted	23,116	20,703	2,732	
(1) Includes the following stock-based compensation charges:				
Research and development	$ 1,418	$ 1,490	$ 1,258	$ 4,479
General and administrative	$ 2,435	$ 2,088	$ 986	$ 5,589

The accompanying notes are an integral part of these financial statements

Table of Contents

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	Deficit Accumulated During the Development Stage	Total Stockholders Equity (Deficit)
Inception:							
Issuance of common stock to founders at $0.001 per share in exchange for cash	1,625	$ 2	$ 2	$	$	$	$ 4
Exercise of stock options for cash at $0.001 per share	62						
Stock-based compensation for non employees		2					2
Net loss						(2,124)	(2,124)
Balance at December 31, 2002	1,687	2	4			(2,124)	(2,118)
Issuance of common stock for services received in July 2003	15		6				6
Stock-based compensation for non-employees			6				6
Exercise of stock options for cash at $0.20 per share	10		2				2
Net loss						(3,977)	(3,977)
Balance at December 31, 2003	1,712	2	18			(6,101)	(6,081)
Issuance of common stock for services received in May 2004	100		40				40
Exercise of stock options for cash at $0.20 and $0.40 per share	10		2				2
Stock-based compensation for non-employees			5				5
Net loss						(8,891)	(8,891)
Balance at December 31, 2004	1,822	2	65			(14,992)	(14,925)
Exercise of stock options for cash at $0.20 and $0.40 per share	1,161	1	43				44
Vesting of restricted common stock from early exercises			159				159
Deferred stock-based compensation			1,272	(1,272)			
Amortization of deferred stock-based compensation				226			226
Stock-based compensation for non-employees			154				154
Net loss						(14,030)	(14,030)
Balance at December 31, 2005	2,983	3	1,693	(1,046)		(29,022)	(28,372)
Issuance of common stock for services	15		185				185
Exercise of stock options for cash at $0.20 to $3.50 per share	354		92				92
Vesting of restricted common stock from early exercises			115				115
Amortization of deferred stock-based compensation				302			302
Reversal of deferred stock-based compensation			(71)	71			
Stock-based compensation for non-employees			539				539

Employee stock-based compensation under SFAS No. 123R			1,403				1,403
Beneficial conversion feature on issuance of Series C & D redeemable convertible preferred stock			13,095				13,095
Deemed dividend related to Beneficial conversion feature on the issuance of Series C & D redeemable convertible preferred stock			(13,095)				(13,095)
Net loss						(25,044)	(25,044)
Balance at December 31, 2006	3,352	3	3,956	(673)		(54,066)	(50,780)
Common stock issued in connection with our Initial Public Offering	4,700	5	68,232				68,237
Conversion of redeemable convertible preferred stock to common stock upon Initial Public Offering	14,744	15	75,578				75,593
Exercise of stock options for cash at $0.20 to $3.50 per share	192		111				111
Issuance of common stock under employee stock purchase plan	27		249				249
Vesting of restricted common stock from early exercises			101				101
Amortization of deferred stock-based compensation				285			285
Reversal of deferred stock-based compensation			(24)	24			
Stock-based compensation for non-employees			155				155
Employee stock-based compensation under SFAS No. 123R			3,138				3,138
Net loss						(38,794)	(38,794)
Net unrealized gains on available-for-sale securities					36		36
Total comprehensive loss							(38,758)
Balance at December 31, 2007	23,015	23	151,496	(364)	36	(92,860)	58,331
Exercise of stock options for cash at $0.20 to $9.20 per share	175		106				106
Issuance of common stock under employee stock purchase plan	85		151				151
Issuance of common stock for patent rights	50		150				150
Vesting of restricted common stock from early exercises			63				63
Amortization of deferred stock-based compensation				242			242
Reversal of deferred stock-based compensation			(66)	66			
Stock-based compensation for non-employees			21				21
Employee stock-based compensation under SFAS No. 123R			3,590				3,590
Net loss						(41,121)	(41,121)
Net unrealized loss on available-for-sale securties					(25)		(25)
Total comprehensive loss							(41,146)
Balance at December 31, 2008	23,325	$ 23	$ 155,511	$ (56)	$ 11	$ (133,981)	$ 21,508

The accompanying notes are an integral part of these financial statements

Table of Contents

XTENT, INC.

(a development stage company)

STATEMENTS OF CASH FLOWS

(in thousands)

	Year Ended December 31,			Cummulative Period from June 13, 2002 (Date of Inception) to December 31,
	2008	2007	2006	2008
Cash flows from operating activities:				
Net loss	$ (41,121)	$ (38,794)	$ (25,044)	$ (133,981)
Adjustments to reconcile net loss to net cash used in operating activities:				
Depreciation and amortization	1,304	1,137	789	4,021
Accretion of securities discount	(366)	(1,705)		(2,071)
Loss (gain) on sale of investments	(26)	20		(6)
Loss on disposal of property and equipment	25	81	10	188
Stock-based compensation expense	3,853	3,578	2,244	10,068
Stock issued in exchange for services and patents	150		185	381
Changes in operating assets and liabilities:				
Prepaid expenses and other current assets	(30)	(290)	(206)	(712)
Accrued interest receivable on securities	344	(372)		(28)
Accounts payable	(1,017)	1,100	332	828
Accrued liabilities	(517)	892	783	1,656
Net cash used in operating activities	(37,401)	(34,353)	(20,907)	(119,656)
Cash flows from investing activities:				
Purchase of investments	(24,084)	(118,238)		(142,322)
Proceeds from maturities of investments	53,130	71,579		124,709
Proceeds from sale of investments	9,963	3,986		13,949
Purchase of property and equipment	(1,830)	(2,185)	(1,661)	(8,306)
Restricted cash	(30)		150	(30)
Proceeds from sale of property and equipment	2		3	20
Net cash provided by (used in) investing activities	37,151	(44,858)	(1,508)	(11,980)
Cash flows from financing activities:				
Proceeds from issuance of redeemable convertible preferred stock, net of issuance costs			39,692	75,592
Proceeds from initial public offering, net of offering costs		69,112	(875)	68,237
Principal payments on capital lease obligations				(23)
Proceeds from issuance of common stock and exercise of stock options	257	360	139	1,203
Net cash provided by financing activities	257	69,472	38,956	145,009
Net increase (decrease) in cash and cash equivalents	7	(9,739)	16,541	13,373
Cash and cash equivalents at beginning of period	13,366	23,105	6,564	

Cash and cash equivalents at end of period	$ 13,373	$ 13,366	$ 23,105	$ 13,373
Supplemental disclosure of noncash investing and financing activities:				
Deferred stock-based compensation	$	$	$	$ 1,272
Reversal of deferred stock-based compensation	$ (66)	$ (24)	$ (71)	$ (161)
Dividend related to beneficial conversion feature of redeemable convertible preferred stock	$	$	$ (13,095)	$ (13,095)
Equipment acquired under capital leases	$	$	$	$ (23)
Vesting of restricted common stock from early exercises	$ 63	$ 101	$ 115	$ 438
Deferred initial public offering costs	$	$ 875	$	$ 875
Changes in net unrealized gains on investments	$ (25)	$ 36	$	$ 11

The accompanying notes are an integral part of these financial statements

Table of Contents

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 focused on developing and commercializing innovative drug eluting stent systems for the treatment of coronary artery disease. The Company is in the development stage and since inception has devoted substantially all of its time and efforts to developing products, raising capital and recruiting personnel.

The Company has incurred net operating losses each year since inception. At December 31, 2008, the Company had an accumulated deficit of $134.0 million and cash and cash equivalents and short term investments of $19.1 million. The Company has not achieved positive cash flows from operations. In May and June 2006, the Company completed a Series D redeemable convertible preferred stock financing and raised approximately $30.0 million in cash and on February 1, 2007 completed its initial public offering raising net proceeds of $68.2 million (the Initial Public Offering). In January 2009, the Company announced an initiative to reduce its workforce by 115, or 94%. See Note 13. The Company plans to explore strategic financing alternatives in the first half of 2009, which may include, without limitation, a merger, a sale of substantially all Company assets, a financing, or a sale of a portion of Company assets, such as the peripheral stent product, the drug eluting balloon product, or the bioabsorbable stent product. If the Company is successful in identifying and completing a suitable strategic transaction, substantial changes may be made in its operations. Upon completion of the headcount reduction in the first quarter of 2009, the Company expects that it will have enough cash and cash equivalents to fund limited operations through at least December 31, 2009. If a strategic transaction is not completed or adequate funding is not obtained, the Company will be unable to continue operations and may need to wind up its business and liquidate its assets. .

Management continues to work toward its objective of creating corporate value by successfully obtaining regulatory approval of its products in the United States and Europe. The failure of the Company to obtain approval of its products by regulatory authorities could have a material 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 States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements or the original issuance date, if later, and reported amounts of expenses during the reporting period. The primary estimates underlying our financial statements include the fair value of our investment portfolio, income tax valuation, and assumptions regarding variables used in calculating the fair value of our equity awards. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less at the date of purchase to be cash equivalents. The Company deposits cash and cash equivalents with high credit quality financial institutions. Cash equivalents consist 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 considered to be short-term. Investments consist primarily of fixed income securities. The Company classifies its investments as available-for-sale in accordance with Statement of Financial Accounting Standards (SFAS) No. 115, *Accounting for Certain Investments in Debt and Equity Securities,* and they are recorded at fair value. The fair value of investments is based on quoted market prices. As of December 31, 2008, all of the Company s investments were short-term in nature.

Unrealized gains and losses are reported as accumulated other comprehensive income (loss), which is a separate component of stockholders equity, until realized. Premiums (or discounts) on investments are amortized (or accreted) to interest and other income, net over the life of the investment. Realized gains and losses on investments sold are included in interest and other income, net in the Company s statement of operations.

Table of Contents

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 experienced an other-than-temporary decline in fair value. If the Company believes that an other-than-temporary decline exists in one of its marketable securities, it writes down these investments to the fair value and records the write-down as a loss within interest and other income, net in the 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 against credit cards used by 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 and cash equivalents and short-term investments. Financial instruments are comprised primarily of A1 and P1 or better-rated of money market funds and U.S. Government and agency securities. The Company s cash is mainly deposited with one major financial institution, which at times exceeds the amount of insurance provided by the Federal Deposit Insurance Corporation on such deposits. The Company mitigates the concentration of credit risk in cash equivalents and short-term investments by placing percentage limits on the maximum portion of the investment portfolio which may be invested in any one investment instrument. The Company has not recognized any losses from credit risks on such accounts 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, development of new products, development of markets and distribution channels, dependence on key personnel and the ability to obtain additional capital as needed to fund its product plans and operations. The Company expects to continue to incur losses and have negative cash flows from operations in the foreseeable future.

The Company has a limited operating history and has yet to generate any revenues from customers. To date, the Company has been funded by private equity financings and its Initial Public Offering in February 2007. The Company plans to explore strategic financing alternatives in the first half of 2009, which may include, without limitation, a merger, a sale of substantially all Company assets, a financing, or a sale of a portion

of Company assets, such as the peripheral stent product, the drug eluting balloon product, or the bioabsorbable stent product.

If the Company is successful in identifying and completing a strategic transaction, substantial changes may be made to its current operations or the Company may discontinue its operations entirely if an acquiring Company does not pursue some or all of the ongoing product 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 with patent claims in areas that are the focus of the Company s product development efforts. The Company is aware of patents owned by third parties, to which the Company does not have licenses, that relate to, among other things, drug coating for stents, stent structure, catheters used to deliver stents and the stent manufacturing process.

The Company is wholly dependent on Biosensors, the sole vendor for the development, manufacture and supply of the drug coating placed on the Company s stents, and no alternative source is available. Any delay or failure to adequately develop or supply the drug coating by this vendor or the submission of a drug master file, or MAF, to regulatory authorities could delay the Company s clinical trials or prevent or delay commercialization of the Company s product. The loss of this sole vendor, the deterioration of the Company s relationship with this sole vendor, or a significant increase in the price of the drug coating that we purchase from this sole vendor could have a material adverse effect on 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 product. The loss of any of these vendors could cause delays in the production of the Company s product and have a material adverse effect on the Company s financial 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 competitive threat to some large and well-capitalized companies who own or control patents relating to stents and their use, manufacture and delivery, one or more third parties may assert a patent infringement claim against the Company based on

Table of Contents

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 that are active participants in the stent market. Because patent applications can take many years to issue, there may be currently pending applications, unknown to the 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 studies and clinical trials that demonstrate that its products are safe and effective. Product development, including pre-clinical studies and clinical testing, is a long, expensive and uncertain process and is subject to delays. If additional funding is obtained, it may take the Company several years to complete its testing, if the Company completes it at all, and the Company s clinical trials may fail at any stage. Furthermore, data obtained from any 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 innovative drug eluting stent systems for the treatment of coronary artery disease. The Company is not organized by market and is managed and operated as one business. A single management team reports to the chief operating decision maker who comprehensively manages the entire business.

Fair Value of Financial Instruments

The carrying amounts of the Company s financial instruments including cash and cash equivalents, accounts payable, and accrued liabilities which approximate fair value due to their short maturities. The Company s short-term investments are valued at fair value based on quoted market prices.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation, subject to review of impairment. Depreciation and amortization is generally calculated using the straight-line method over the estimated useful lives of the related assets ranging from two to five years. Leasehold improvements and assets acquired under capital leases are amortized on a straight-line basis over the term of the lease, or the useful life of the assets, whichever is shorter. Costs associated with maintenance and repairs are charged to expense as incurred, and improvements are capitalized. When assets are retired or otherwise disposed of, the cost and accumulated depreciation and amortization are removed from 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 amounts to future net undiscounted cash flows expected to be generated by such assets when events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Should an impairment exist, the impairment loss would be measured based on the excess carrying value of the 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 development activities and include salaries and related employee benefits, manufacturing of clinical and prototype units, costs associated with clinical trials, non-clinical activities, regulatory activities, research-related overhead expenses and fees paid to external service providers and contract research organizations which conduct certain research and development activities on behalf of the Company. Costs incurred in the research and 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 based on the difference between financial statement and tax bases of assets and liabilities using current tax laws and rates in effect for the year in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized.

Table of Contents

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 circumstances other than those resulting from investments by owners and distributions to owners. The Company s unrealized gains (losses) on available-for-sale securities represent the only component of other comprehensive loss that is excluded from the Company s net loss and is reflected as a component of 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 common stock outstanding during the period. Potentially dilutive shares consisting of stock options, common stock subject to repurchase, redeemable convertible preferred stock and shares issuable under the Employee Stock Purchase Plan were not included in the diluted net loss per common share calculations for all 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 common share is as follows:

	Years Ended December 31,		
	2008	2007	2006
	(in thousands, except per share amounts)		
Numerator:			
Net loss	$ (41,121)	$ (38,794)	$ (25,044)
Deemed dividend related to beneficial conversion feature of redeemable convertible preferred stock			(13,095)
Net loss attributable to common stockholders	$ (41,121)	$ (38,794)	$ (38,139)
Denominator:			
Weighted-average common shares outstanding	23,175	20,979	3,264
Less: Weighted-average unvested common shares subject to repurchase	(59)	(276)	(532)
Weighted-average common shares outstanding used in computing basic and diluted net loss per common share	23,116	20,703	2,732
Net loss per share attributable to common stockholders - basic and diluted	$ (1.78)	$ (1.87)	$ (13.96)

67

Explanation of Responses:

Table of Contents

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 share for the periods presented because including them would have an antidilutive effect:

	Years Ended December 31,		
	2008	2007	2006
		(in thousands)	
Redeemable convertible preferred stock			14,744
Options to purchase common stock	2,516	2,167	1,894
Common stock subject to repurchase	7	164	417
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 granted primarily to employees and non-employee consultants. Prior to January 1, 2006, the Company accounted for stock-based compensation in accordance with Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees* (APB 25), and related interpretations, with disclosures in accordance with Statement of Financial Accounting Standards No. 123, *Accounting for Stock-Based Compensation* (SFAS 123), to account for stock options granted to employees. Under APB 25, stock-based compensation expense is recognized over the vesting period of the option to the extent that the fair value of the stock exceeds the exercise price of the stock option at the date of the grant.

Effective January 1, 2006, the Company adopted SFAS 123(R), requiring measurement of the cost of employee services received in exchange for all equity awards granted based on the fair value of the award on the grant date. Under this standard, the fair value of each employee stock option is estimated on the date of grant using an options pricing model. The Company currently uses the Black Scholes valuation model to estimate the fair value of their share-based payments. The model requires management to make a number of assumptions including expected volatility, expected life, risk-free interest rate and expected dividends. Given the Company s limited history, the Company uses comparable companies to determine volatility. The expected life of the options is based on the average period the stock options are expected to remain outstanding based on the options vesting term, contractual terms, and industry peers as the Company does not have sufficient historical information to develop reasonable expectations about future exercise patterns and post-vesting employment termination behavior. The risk-free interest rate assumption is based on published interest rates for U.S. Treasury zero-coupon issues with a remaining term equal to the expected life assumed at the date of grant appropriate for the terms of the Company s stock options. The dividend yield assumption is based on the Company s history and expectation of dividend payouts.

Stock-based compensation expense recognized in the Company s financial statements starting on January 1, 2006 and thereafter is based on awards that are expected to vest. These amounts have been reduced by using an estimated forfeiture rate. Forfeitures are required to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The Company 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 Emerging Issues Task Force Abstract No. 96-18, *Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling Goods or Services*. The Company records the expense of such services based on the fair value of the equity instrument as estimated using the Black-Scholes pricing model. The fair value of the equity instrument is charged to operating expense over the term of the service agreement.

Beneficial Conversion Feature

When the Company issues equity securities which are convertible into common stock at a discount from the common fair value at the commitment date, the difference between the fair value of the common stock and the conversion price multiplied by the number of shares issuable upon conversion is recognized as a beneficial conversion feature. The beneficial conversion feature is presented as a deemed dividend to the related security holders with an offsetting amount to additional paid in capital and will be amortized over the period from the issue date to the first conversion date. Since the equity securities were immediately convertible into common stock by the holder at any time, the Company recorded and immediately amortized a beneficial conversion charge (deemed dividend) of approximately $13.1 million in connection with its Series C and D redeemable convertible preferred stock financings in January, May and June 2006.

Table of Contents

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 to financial assets and financial liabilities. In February 2008, the Financial Accounting Standards Board (FASB) issued FASB Staff Position (FSP) No. FAS 157-2, *Effective Date of FASB Statement No. 157,* which delayed the effective date of SFAS 157 for all non-financial assets and non-financial liabilities, except those that are recognized or disclosed at fair value in the financial statements on at least an annual basis, until January 1, 2009 for calendar year-end entities. Also in February 2008, the FASB issued FSP No. FAS 157-1 *, Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13,* which states that SFAS No. 13, *Accounting for Leases,* (SFAS 13) and other accounting pronouncements that address fair value measurements for purposes of lease classification or measurement under SFAS 13 are excluded from the provisions of SFAS 157, except for assets and liabilities related to leases assumed in a business combination that are required to be measured at fair value under SFAS No. 141, *Business Combinations,* (SFAS 141) or SFAS No. 141 (revised 2007) *Business Combinations,* (SFAS 141(R)). SFAS 157 defines fair value, establishes a framework for measuring fair value in accounting principles generally accepted in the United States of America, and expands disclosures about fair value measurements. The provisions of this standard apply to other accounting pronouncements that require or permit fair value measurements and are to be applied prospectively with limited exceptions. The adoption of SFAS 157 did not have a material impact on the Company s financial position, operating results or cash flows. The Company has not yet determined the impact on its financial statements from the 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 Generally Accepted Accounting Principles* (SFAS No. 162). SFAS No. 162 identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles (the GAAP hierarchy). SFAS No. 162 will become effective 60 days following the SEC s approval of the Public Company Accounting Oversight Board amendments to AU Section 411, *The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles*. The Company does not expect the adoption of SFAS No. 162 to have a material effect on its results of operations and financial condition.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No. 115* (SFAS No. 159). SFAS No. 159 expands the use of fair value accounting but does not affect existing standards which require assets or liabilities to be carried at fair value. The objective of SFAS No. 159 is to improve financial reporting by providing companies with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. Under SFAS No. 159, a company may elect to use fair value to measure eligible items at specified election dates and report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. Eligible items include, but are not limited to, accounts and loans receivable, available-for-sale and held-to-maturity securities, equity method investments, accounts payable, guarantees, issued debt and firm commitments. If elected, SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. Currently, The Company has not expanded its eligible items subject to the fair value option under SFAS No. 159. The adoption of SFAS 159 has not impacted the Company s results of operations and financial condition.

In June 2007, the FASB ratified EITF Issue No. 07-3, *Accounting for Nonrefundable Advance Payments for Goods or Services Received for Use in Future Research and Development Activities* (EITF No. 07-3). EITF No. 07-3 requires that nonrefundable advance payments for goods 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 services are performed. EITF No. 07-3 is effective, on a prospective basis, for fiscal years beginning after December 15, 2007. The Company is currently evaluating the effect that the adoption of EITF No. 07-3 will have on the 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)). SFAS No. 141(R) establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any noncontrolling interest in the acquiree and the goodwill acquired. SFAS No. 141(R) also establishes disclosure requirements to enable the evaluation of the nature and financial effects of the business combination. SFAS No. 141(R) is effective for fiscal years beginning after December 15, 2008, and will be adopted by the Company in the first quarter of fiscal 2010. The Company continues to evaluate the potential impact of the adoption of SFAS No. 141(R) on its results of operations and financial condition.

Table of Contents

XTENT, INC.

(a development stage company)

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 consisted of the following:

As of December 31, 2008	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
		(in thousands)		
U.S. government and agency securities	$ 5,741	$ 11	$	$ 5,752

As of December 31, 2007	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
		(in thousands)		
Commercial paper	$ 4,685	$ 21	$	$ 4,706
U.S. government and agency securities	33,694	21	(9)	33,706
Corporate bonds	5,979	3		5,982
Total	$ 44,358	$ 45	$ (9)	$ 44,394

Fair Value Measurements

On January 1, 2008, we adopted SFAS No. 157, *Fair Value Measurements* for financial assets and liabilities. This standard defines fair value as the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). SFAS No. 157 classifies the inputs used to measure fair value into the following hierarchy:

- Level 1: Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.

- Level 3: Unobservable inputs that reflect the reporting entity s own assumptions.

Table of Contents

XTENT, INC.

(a development stage company)

NOTES TO FINANCIAL STATEMENTS

The Company s cash equivalents and short-term investments are classified within Level 1 or Level 2 of the fair value hierarchy because they are valued using quoted market prices, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency. The fair value hierarchy of the Company s marketable securities at fair value in connection with the adoption of SFAS No. 157 consisted of the following as of December 31, 2008:

	Balance as of December 31, 2008	Significant Other Observable Inputs (Level 1) (in thousands)	Significant Other Observable Inputs (Level 2)
Money market funds (1)	$ 11,613	$ 11,613	$
U.S. Treasury Notes (1)	1,003		1,003
U.S. government and agency securities	5,752		5,752
Total	$ 18,368	$ 11,613	$ 6,755

(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, for the period from June 13, 2002 (Inception) to December 31, 2008 was approximately $1.3 million, $1.1 million, $0.8 million and $4.0 million, respectively.

Table of Contents

XTENT, INC.

(a development stage company)

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 offices and manufacturing facilities. The lease amendment extends the term of the lease through May 31, 2012. In September 2008, a second amendment extended the lease termination option such that the Company may terminate the lease for any reason on or after May 1, 2010, and the landlord may terminate the lease on or after that date provided it has obtained certain redevelopment rights with respect to the leased premises.

Future minimum lease payments under non-cancelable operating leases are as follows:

	Total	**2009**	**2010**	**2011**	**2012**
			(in thousands)		
Minimum lease commitments	**$ 1,694**	**$ 479**	**$ 493**	**$ 508**	**$ 214**

Rent expense for the years ended December 31, 2008, 2007, and 2006, and cumulatively for the period from June 13, 2002 (Inception) to December 31, 2008 was approximately $407,000, $333,000, $224,000 and $1.3 million, respectively. The terms of the facility lease provide for rental payments on a monthly basis and on a graduated scale. The Company recognizes rent expense on a straight-line basis over the lease 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 are critical to the success of the Company s products. The terms of the agreements call for milestone payments prior to achieving sales, and quarterly royalty payments based on the greater of specified minimums or a percentage of net sales. As of December 31, 2008, future minimum royalty payments these suppliers are approximate $1.7 million, and minimum royalty payments during the years ended December 31, 2008, 2007 and 2006 were $80,000, $40,000 and $20,000, respectively. An additional $20,000 milestone payment is payable to SurModics upon achievement of certain milestones. Minimum royalty to Biosensors payments of $100,000 per year will begin upon achievement of certain milestones.

In July 2006, the Company entered into a license agreement with Millimed, Inc. for certain intellectual property related to the Company s business. In consideration for this license, the Company made an initial payment of $350,000 in cash and issued 15,000 shares of common stock during the year ended December 31, 2006. In addition, the license agreement

Table of Contents

XTENT, INC.

(a development stage company)

NOTES TO FINANCIAL STATEMENTS

provided for an additional payment of $200,000 upon achievement of certain milestones. On July 24, 2008, the Company entered into an assignment agreement with Millimed, assigning to the Company the entire and exclusive right, title and interest in previously licensed intellectual property. In consideration of this assignment the Company issued 50,000 shares of unregistered common stock to a third party at $3.00 per share. Pursuant to the terms of the assignment agreement, the third party paid $150,000 directly to Millimed. The $200,000 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. agreed to manufacture and deliver stents for use in the Company s products. The terms of the agreement required minimum purchases over two years at contractual prices set in Euros. As of December 31, 2008, there were no outstanding purchase order commitments for stents. Under the terms of the supply agreement, any further annual purchase commitments have been delayed until the Company receives approval from the FDA to begin clinical trials in the United States.

In December 2007, the Company entered into the Amended and Restated License Agreement with Biosensors International Group, Ltd., under which the Company purchases the drug coating used on its stents under purchase commitments which totaled approximately $43,000 as of December 31, 2008. In addition, the Company will also pay royalties to Biosensors under the license agreement when revenues are generated from product sales.

On October 17, 2007, the Company entered into a Contract Research Organization Agreement with Bailer Research, Inc., under which Bailer will provide certain monitoring services with respect to the Company s United States clinical trial when approval is received from the FDA to begin the clinical trial. The commitment under this contract is estimated to be from $11 to $13 million over a period of 79 months. Payments will be made in installments based on trial related milestones. On December 19, 2008, the Company provided to Bailer a 30-day termination notice with respect to the Contract Research Organization Agreement under which Bailer was to provide certain monitoring services with respect to the planned U.S. clinical trial. No payments have been made and no expense has been incurred related to this contract.

On January 28, 2008 the Company entered into a contract with Cardiovascular Research Foundation (CRF) under which CRF will perform certain data coordination and analysis services in connection with the Company s clinical trial in the United States. The Company estimates that a total of $6.9 to $7.7 million will be paid to CRF over a period of approximately 75 months. Payments will be made in installments 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 committed to purchase minimum quantities of material over the next twelve month period. As of December 31, 2008, the Company has a remaining commitment in 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, however, become a party to 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 representations and warranties and provide for general indemnifications. The Company s exposure under these agreements is unknown because it involves claims that may be made against the Company in the future, but have not yet been made. To date, the Company has not paid any claims or been required to defend any action related to its indemnification obligations. However, the Company may record charges in the future as a result of these indemnification obligations.

In accordance with the Company s amended and restated certificate of incorporation (the Restated Certificate) and bylaws, the Company has indemnification obligations to its officers and directors for certain events or occurrences, subject to certain limits, while they are serving at the Company s request in such capacity. There have been no claims to date and the Company has a Director and Officer Insurance Policy that may enable it to recover a portion of any amounts paid for future claims.

Table of Contents

XTENT, INC.

(a development stage company)

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 value preferred stock. As of 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 convertible preferred stock pursuant to the filing of an Amended and Restated Certificate of Incorporation. Such Amended and Restated Certificate of Incorporation also provided for the automatic conversion of the then outstanding shares of redeemable convertible preferred stock into shares of common stock. All share and per share amounts included in the Company s financial statements have been adjusted to reflect this reverse stock split for all 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 per share. Net cash proceeds from the Initial Public Offering were approximately $68.2 million, after deducting underwriting discounts and commissions and other offering costs.

Each share of common stock has the right to one vote. The holders of common stock are entitled to dividends when funds are legally available 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 held by the Company to repurchase the stock, at the original exercise price, in the event of voluntary or involuntary termination of employment of the stockholder. In accordance with Emerging Issues Task Force Issue No. 00-23, *Issues Related to the Accounting for Stock Compensation* under APB 25 and FASB Interpretation No. 44, *Accounting for Certain Transactions Involving Stock Compensation*, the Company accounts for the cash received in consideration for the early exercised options as a liability. As of December 31, 2008 and December 31, 2007, there were approximately 7,000 and 164,000 shares of common stock, respectively, subject to repurchase, and a related liability of $3,000 and $66,000, respectively.

NOTE 9. STOCK PLANS

Employee Stock Purchase Plan

In August 2006, the Company adopted the 2006 Employee Stock Purchase Plan (ESPP), which became effective upon the Company s Initial Public Offering on February 1, 2007. A total of 1,190,000 shares of common stock have been reserved for issuance pursuant to the ESPP. In addition, the ESPP provides for annual increases in the number of shares available for issuance under the ESPP on the first day of each fiscal year, beginning with the Company s fiscal year 2008, equal to the lesser of: 3% of the outstanding shares of the Company s common stock on the first day of the fiscal year; 1,000,000 shares; or such other amount as the Company s Board of Directors may determine. All of the Company s employees are eligible to participate if they are customarily employed by the Company for at least 20 hours per week and more than five months in any calendar year. However, an employee may not be granted an option to purchase stock under the ESPP if such employee, immediately after grant, owns stock possessing 5% or more of the total combined voting power or value of all classes of the Company s capital stock, or whose rights to purchase stock under all of the Company s employee stock purchase plans accrues at a rate that 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, except for the first such offering period, which commenced on February 1, 2007, upon completion of the Company s Initial Public Offering, and ended on the first trading day on or after November 15, 2007. The ESPP permits participants to purchase common stock through payroll deductions of up to 15% of their eligible compensation which includes a participant s base salary, wages, overtime and shift premium, commissions, but exclusive of payments for incentive compensation, bonuses and other compensation. A participant may purchase a maximum of 1,250 shares during a six-month purchase period.

Amounts deducted and accumulated by the participant are used to purchase shares of the Company s common stock at the end of each six-month purchase period. The purchase price of the shares will be 85% of the lower of the fair market value of the Company s common stock on the first trading day of each offering period or on the exercise date. Participants may end their participation at any time during an offering period, and will be paid their accrued payroll deductions that have not yet been used to purchase shares of common stock. Participation ends automatically upon termination of employment with the Company. The ESPP will automatically terminate in 2026, unless the Company terminates it sooner.

Table of Contents

XTENT, INC.

(a development stage company)

NOTES TO FINANCIAL STATEMENTS

During the years ended December 31, 2008 and 2007, we issued approximately 85,000 and 27,000 shares, respectively, under the ESPP, representing $151,000 and $249,000, respectively, of employee contributions. As of December 31, 2008, 1,078,000 shares were available for 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 terminated upon completion of the Company s initial public offering on February 1, 2007. No shares of common stock are available under the 2002 Plan other than to satisfy the exercises of stock options granted under the 2002 Plan prior to its termination. Under the 2002 Plan, incentive stock options (ISO) and nonqualified stock options (NSO) were granted to employees, officers, and directors of, or consultants to, the Company. Options granted 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 effective upon the Company s Initial Public Offering on February 1, 2007. The shares reserved for issuance under the 2006 Plan include (a) those shares reserved but unissued under the 2002 Stock Plan as of January 31, 2007 (b) shares returned to the 2002 Stock Plan as the result of termination of options or the repurchase of shares (provided that the maximum number of shares that may be added to the 2006 Equity Incentive Plan pursuant to (a) and (b) is 600,000 shares). Beginning in 2008, the number of shares available for issuance under the 2006 Equity Incentive Plan will be increased annually on the first day of each fiscal year by an amount equal to the lesser of (i) 4% of the outstanding shares of common stock as of the last day of our immediately preceding fiscal year; (ii) 1,500,000 shares; or (iii) such other amount as the Company s board of directors may determine.

During the year ended December 31, 2008, 1,821,000 shares were added to the shares reserved for issuance under the 2006 Plan, and 1,079,000 stock options were granted under the 2006 Plan during the year ended December 31, 2008. Through December 31, 2008, the Company had reserved 5,816,000 shares of common stock for issuance under both the 2002 Plan and 2006 Plan. As of December 31, 2008, 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 outside of the 2002 Plan. These shares were granted to a non-employee during 2002, and the terms are similar to the terms listed above under the 2002 Plan.

Table of Contents

XTENT, INC.

(a development stage company)

NOTES TO FINANCIAL STATEMENTS

Stock option activity is as follows:

	Shares Available for Grant	Options Outstanding: Number of Shares	Options Outstanding: Weighted Average Exercise Price	Options Outstanding: Weighted Average Contractual Term (years)	Options Outstanding: Aggregate Intrinsic Value
		(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	$ 1
Options vested and expected to vest at December 31, 2008		2,429	$	5.45	7.87	$ 1
Options vested and exercisable at December 31, 2008		1,209	$	4.75	7.03	$ 1

The total intrinsic value of options exercised during the years ended December 31, 2008 and December 31, 2007 was approximately $0.7 million and $2.2 million, respectively. The intrinsic value is calculated as the difference between the market value on the date of exercise and the exercise price of the shares. The market value of the Company s common stock as of December 31, 2008 was $0.27. The total fair value of options granted to employees and which vested during the years ended December 31, 2008 and December 31, 2007 was $3.5 million and $3.1 million, respectively.

Table of Contents

XTENT, INC.

(a development stage company)

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	$	0.39
$0.54 - $1.5	190	6.98	137		1.19
$2.10 - $2.99	339	9.45	22		2.50
$3.50 - $4.56	408	7.61	227		3.52
$5.00 - $5.20	339	8.50	125		5.15
$6.52 - $7.82	62	7.99	43		7.72
$8.00 - $8.94	114	7.72	78		8.77
$9.06 - $9.99	548	8.66	191		9.67
$10.08 - $11.20	134	8.15	58		10.78
$12.32 - $16.00	78	7.99	36		13.39
	2,516	7.91	1,209	$	4.75

	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	$	0.20
$0.40 - $0.40	426	6.61	312		0.40
$0.54 - $1.50	217	7.90	103		1.13
$3.50 - $3.50	522	8.32	209		3.50
$5.20 - $7.82	239	8.47	111		6.05
$8.00 - $9.20	300	9.30	36		9.20
$9.58 - $10.52	244	9.77	5		9.99
$11.00 - $13.00	143	9.03	25		11.86
$15.44 - $15.44	11	9.11			0

$16.00 - $16.00	30	9.08			0
	2,167	8.27	836	$	2.79

Explanation of Responses:

Table of Contents

XTENT, INC.

(a development stage company)

NOTES TO FINANCIAL STATEMENTS

The weighted-average per share fair value of options granted to employees during the years ending December 31, 2008, 2007 and 2006 was $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 Series B redeemable convertible preferred stock. At December 31, 2005, the fair value of the common stock was determined to be $7.94 per share. All options granted were intended to be exercisable at a price per share not less than fair market value of the shares of the Company s stock underlying those options on their respective dates of grant. The Board of Directors determined these fair market values in good faith based on the best information available to the Board of Directors and Company s management at the time of the grant. Although the Company believes these determinations accurately reflect the historical value of the Company s common stock, management has retroactively revised the valuation of its common stock for the purpose of calculating stock-based compensation expense for all grants after December 31, 2004 through our Initial Public Offering on February 1, 2007. The Company s progress against milestones in these areas was used to estimate the fair value of its common stock. In accordance with the requirements of APB 25, the Company has recorded deferred stock-based compensation for the difference between the exercise price of the stock options and the fair value of the Company s common stock at the date of grant for options granted during 2004 and 2005. This deferred stock-based compensation is amortized to expense on a straight-line basis over the period during which the options vest, generally over four years.

During the year ended December 31, 2005, the Company recorded deferred stock-based compensation related to these stock options of approximately $1,272,000, net of cancellations. During the years ended December 31, 2008 and 2007, the Company recorded cancellations of 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 years ended December 31, 2008, 2007 and 2006, respectively. For options granted during 2007 and 2006, the fair value of the stock on the date of grant is considered 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 follows:

Grants Made During the Quarter Ended:	**Number of Options Granted**	**Weighted-Average Exercise Price Per Share**	**Weighted-Average Fair Value Per Share**	**Weighted-Average Intrinsic Value Per Share**

	(in thousands, except weighted average prices)			
March 31, 2005	515	$ 0.40	$ 1.66	$ 1.26
June 30, 2005	23	0.54	4.16	3.62
September 30, 2005	79	0.54	5.42	4.88
December 31, 2005	30	0.54	7.48	6.94
March 31, 2006	174	1.50	9.20	7.70
June 30, 2006	735	3.92	11.19	7.27
September 30, 2006	190	8.74	12.32	3.58
December 31, 2006	67	11.94	13.85	1.91
March 31, 2007	66	15.01	15.82	0.81

Subsequent to the Company s Initial Public Offering, no further stock options were granted with exercise prices below fair value.

Table of Contents

XTENT, INC.

(a development stage company)

NOTES TO FINANCIAL STATEMENTS

Total stock-based compensation expense recorded under APB 25, SFAS 123(R) and EITF 96-18 related to options granted to employees and non-employees was allocated to research and development and general and administrative expense as follows:

	Year Ended December 31,		
	2008	2007	2006
		(in thousands)	
Research and development	$ 1,418	$ 1,490	$ 1,258
General and administrative	2,435	2,088	986
Total stock-based compensation expense	$ 3,853	$ 3,578	$ 2,244

No income tax benefit has been recognized relating to stock-based compensation expense and no tax benefits have been realized from exercised stock options.

As of December 31, 2008, there was total unrecognized stock-based compensation costs of approximately $5.2 million related to outstanding 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 value of employee stock 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 purchase plan was estimated 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 Ended December 31, 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% 4.95%
Dividend yield	0%	0%	0%
Expected term (in years)	4.5 to 4.65	4.65	5.75 to 6.25
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 remain outstanding and is based on the option vesting term, contractual terms and industry peers as the Company did not have sufficient historical information to develop reasonable expectations about future exercise patterns and post-vesting employment termination behavior. Beginning in 2008, the expected term assumption was derived based on the Company s historical settlement experience. ESPP terms are for the purchase periods starting February 1, 2007 (Initial Public Offering) and May 15, 2007, both of which ended on November 15, 2007, and the purchase periods starting November 15, 2007 and May 18, 2008 which ended on May 15, 2008 and November 17, 2008, respectively, and the purchase period 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 December 31, 2008, 2007 and 2006 were determined by examining the historical volatilities for industry peers and subsequent to the Initial Public Offering on February 1, 2007, in combination with the historical volatility of the Company s stock. The Company will continue to analyze the historical stock price volatility and expected term assumptions as more historical data for the Company s common stock becomes available.

Table of Contents

XTENT, INC.

(a development stage company)

NOTES TO FINANCIAL STATEMENTS

The risk-free interest rate assumption at the date of grant is based on the U.S Treasury instruments whose term was consistent 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 addition, SFAS 123(R) requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Forfeitures were estimated based on historical experience. Prior to the adoption of SFAS 123(R), the Company accounted for forfeitures as 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. During the years ended December 31, 2006 and 2005, the Company granted 51,000 and 39,750 shares, respectively, of common stock at exercise prices ranging from $0.40 to $11.20 per share in exchange for services from consultants. In connection with the change of status from employee to consultant for an employee, the Company allowed for the continued vesting of equity instruments over the designated consulting period. Stock-based compensation expense related to stock options granted to non-employees is recognized as the stock options are earned. The Company believes that the estimated fair value of the stock options is more readily measurable than the fair value of the services rendered.

The fair value of the stock options granted to non-employees is calculated at each reporting date using the Black-Scholes options pricing 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 with the grant of stock and stock options to non-employees, the Company recorded stock-based compensation charges of approximately $21,000, $0.1 million, $0.5 million and $0.8 million for the years ended December 31, 2008, 2007, and 2006, and cumulatively, for the period from June 13, 2002 (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 December 31, 2008, 2007 and 2006. The Company recorded a tax benefit of $39,000 for the year ended December 31, 2008 primarily due to recognition of a benefit of $39,000 for a U.S. federal refundable credit as provided by the Housing and Economic Recovery Act of 2008 (The Recovery Act). The Recovery Act, signed into law in July 2008, allows taxpayers to claim refundable alternative minimum tax or research and development credit carryovers if they forego bonus depreciation on certain qualified fixed assets placed in service from the period between April and December 2008.

Table of Contents

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 tax assets are as follows (in thousands):

	December 31,	
	2008	2007
Deferred tax assets:		
Net operating loss carryforwards	$ 37,754	$ 25,321
Research & development credit carryforwards and other	7,111	5,257
Capitalized start-up costs	10,917	8,515
Other	2,384	1,749
	58,166	40,842
Valuation allowance	(58,166)	(40,842)
Net deferred tax assets	$	$

The Company has established a full valuation allowance against its deferred tax assets due to the uncertainty surrounding realization of such assets. The valuation allowance increased $17,324,000, $16,768,000 and $11,024,000 during the years ended December 31, 2008, 2007 and 2006, respectively.

As of December 31, 2008, the Company had net operating loss carry-forwards of approximately $94.8 million each available to reduce future taxable income, if any, for federal and California state income tax purposes. The federal net operating loss carry-forward begins expiring in 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 $4.2 million and $4.4 million available to reduce future taxable income, if any, for federal and California state tax purposes, respectively. The federal credit carry-forwards 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 changes occur in the stock ownership of a company. In the event the Company has had a change in ownership, utilization of the carry- forwards could be limited.

Effective January 1, 2007, the Company adopted the provisions of Financial Accounting Standards Board Interpretation No. 48 (FIN No. 48), Accounting for Uncertainty in Income Taxes, which provisions included a two-step approach to recognizing, de-recognizing and measuring uncertain tax positions accounted for in accordance with SFAS No. 109 (SFAS No. 109), Accounting for Income Taxes. Before the adoption of FIN No. 48, the Company had no liability for unrecognized tax benefits. As a result of the implementation of FIN No. 48, the Company recognized no change in the liability for unrecognized tax benefits. As of December 31, 2008, the liability for unrecognized tax benefits was $0.

Our continuing practice is to recognize interest and penalties related to income tax matters in income tax expense. As of December 31, 2008, 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 applicable statute of limitations 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 jobs and 26 temporary positions. This reduction represented approximately 34% of the total workforce and was completed in July 2008. The total cash payments and expenses incurred in connection with this reduction in workforce was approximately $210,000, of which $170,000 was included in research and development and $40,000 was included in general and administrative in the Statement of Operations. The total expense included approximately $7,000 of non-cash expenses. All amounts were paid during the quarter ended September 30, 2008. See Note 13.

NOTE 12. EMPLOYEE BENEFIT PLANS

The Company adopted a 401(k) Profit Sharing Plan and Trust covering substantially all of its employees. Company contributions to the plan are discretionary and as of December 31, 2008, no contributions have been made.

Table of Contents

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 termination notice with respect to the contract under which CRF was to perform certain data coordination and analysis services in connection with the planned U.S. clinical trial. A 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 s workforce. The total expense to be incurred in connection with the initiative is estimated at approximately $1.1 to $1.2 million, all of which are expected to be cash 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 the agreement were released.

NOTE 14. SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

The following table contains selected unaudited condensed statement of operations data:

	Fiscal 2008 Quarters Ended			
	March 31,	June 30,	September 30,	December 31,
	(in thousands, except per share amounts)			
Net loss	$ (12,457)	$ (12,886)	$ (8,665)	$ (7,113)
Net loss attibutable to common stockholders	$ (12,457)	$ (12,886)	$ (8,665)	$ (7,113)
Net loss per share attributable to common stockholders - basic and diluted	$ (0.54)	$ (0.56)	$ (0.37)	$ (0.31)
Weighted-average common shares outstanding used in computing basic and diluted net loss per common share	22,923	23,033	23,211	23,294

	Fiscal 2007 Quarters Ended			
	March 31,	June 30,	September 30,	December 31,
	(in thousands, except per share amounts)			
Net loss	$ (7,935)	$ (9,456)	$ (9,539)	$ (11,864)

Net loss attibutable to common stockholders	$ (7,935)	$ (9,456)	$ (9,539)	$ (11,864)
Net loss per share attributable to common stockholders - basic and diluted	$ (0.55)	$ (0.42)	$ (0.42)	$ (0.52)
Weighted-average common shares outstanding used in computing basic and diluted net loss per common share	14,482	22,551	22,656	22,790

Table of Contents

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON 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 disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief 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 Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of our most recent fiscal year. Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2008.

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 Exchange Act) occurred during the fourth quarter of 2008 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Management s Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Exchange Act Rule 13a-15(f). Our management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2008. This Annual Report on Form 10-K does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. Management s report was not subject to attestation by our independent registered public accounting firm

pursuant to temporary rules of the Securities and Exchange Commission that permit us to provide only management s report in this Annual Report on Form 10-K.

ITEM 9B. **OTHER INFORMATION**

None.

Table of Contents

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this Item is incorporated by reference to the definitive proxy statement for our 2009 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission within 120 days after the end of our 2008 fiscal year (the 2009 Proxy 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 AND 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 AND DIRECTOR 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.

Table of Contents

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 Annual Report on Form 10-K.

(2) All schedules are omitted because they are not applicable. All the required information is shown in 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 Registrant and certain stockholders.
10.6	(1)	Business Park Lease dated September 15, 2003, as amended November 22, 2005, by and between the Registrant and 125 Constitution Associates, L.P. for office space located at 125 Constitution Drive, Menlo Park, California, 94025-1118.
10.7	(1)	License Agreement dated May 4, 2004 as amended February 9, 2005, by and between the Registrant, Biosensors International Group, Ltd. (formerly Sun Biomedical, Ltd.), and Biosensors Europe SA (an affiliate of Occam International, B.V.)
10.8	(1)	Master License Agreement dated December 30, 2002, as amended June 30, 2006, by and between the Registrant and 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 Constitution Associates, L.P.
10.12	(4)	Amended and Restated License Agreement dated December 3, 2007 by and between Registrant, Biosensors 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 2002.
31.2		Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1		Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2		

Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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(1) Incorporated by reference from our Registration Statement on Form S-1 (Registration 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 quarter ended March 31, 2007, filed May 14, 2007.

(3) Incorporated by reference from our Quarterly Report on Form 10-Q for the quarter ended June 30, 2007, filed August 13, 2007.

(4) Incorporated by reference from our Annual Report on Form 10-K for the year ended December 31, 2007, filed March 17, 2008.

(5) Incorporated by reference from our Quarterly Report on Form 10-Q for the quarter ended September 30, 2008, filed November 12, 2008.

Portions of the exhibit have been omitted pursuant to a request for confidential treatment. The confidential portions have been filed with the SEC.

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Annual 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. CASCIARO
Gregory D. Casciaro
President and Chief Executive Officer
(Principal Executive Officer)

KNOW ALL MEN AND WOMEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints each of Gregory D. Casciaro and Timothy D. Kahlenberg, his or her attorney-in-fact, with the power of substitution, for him or her in any and all capacities, to sign any amendments to this annual report on Form 10-K, and to file the same, with exhibits thereto and other documents in connection therewith, with the U.S. Securities and Exchange Commission, hereby ratifying and confirming all that said attorney-in-fact, or his 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 signed below by the following persons on behalf of the Registrant in the capacities and on the dates indicated:

Signature	Title	Date
/s/ GREGORY D. CASCIARO Gregory D. Casciaro	President, Chief Executive Officer and Director (Principal Executive Officer)	March 24, 2009
/s/ TIMOTHY D. KAHLENBERG Timothy D. Kahlenberg	Chief Financial Officer (Principal Accounting Officer)	March 24, 2009
/s/ HENRY A. PLAIN, JR. Henry A. Plain, Jr.	Director	March 24, 2009
/s/ MICHAEL A. CARUSI Michael A. Carusi	Director	March 24, 2009
/s/ MICHAEL L. EAGLE Michael L. Eagle	Director	March 24, 2009
/s/ ROBERT E. FLAHERTY Robert E. Flaherty	Director	March 24, 2009
/s/ CHRISTOPHER M. SMITH Christopher M. Smith	Director	March 24, 2009
/s/ ARTHUR T. TAYLOR Arthur T. Taylor	Director	March 24, 2009

/s/ EDWARD W. UNKART Edward W. Unkart	Director	March 24, 2009
/s/ ALLAN R. WILL Allan R. Will	Director	March 24, 2009

Explanation of Responses: