PFIZER INC
Form 11-K
June 25, 2010

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

FORM 11-K

FOR ANNUAL REPORTS OF EMPLOYEE STOCK PURCHASE, SAVINGS
AND SIMILAR PLANS PURSUANT TO SECTION 15 (d) OF
THE SECURITIES EXCHANGE ACT OF 1934

(Mark
One)
X ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2009

or

__ TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 1-3619

A. Full title of the Plan and the address of the plan, if different from that of the issuer named below:

PFIZER SAVINGS PLAN
FOR EMPLOYEES RESIDENT IN PUERTO RICO

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

PFIZER INC.
235 EAST 42ND STREET
NEW YORK, NEW YORK 10017

PFIZER SAVINGS PLAN
FOR EMPLOYEES RESIDENT IN PUERTO RICO
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Savings Plan Committee
Pfizer Savings Plan for Employees Resident in Puerto Rico:

We have audited the accompanying statements of net assets available for plan benefits of the Pfizer Savings Plan for Employees Resident in Puerto Rico ("Plan") as of December 31, 2009 and 2008, and the related statements of changes in net assets available for plan benefits for each of the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for plan benefits of the Plan as of December 31, 2009 and 2008, and the changes in net assets available for plan benefits for the years then ended, in conformity with U.S. generally accepted accounting principles.

Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental Schedule H, Line 4i - Schedule of Assets (Held at End of Year) as of December 31, 2009 and Schedule H, Line 4j - Schedule of Reportable Transactions for the Year Ended December 31, 2009 are presented for the purpose of additional analysis and are not a required part of the basic financial statements but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. These supplemental schedules are the responsibility of the Plan's management. The supplemental schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ KPMG LLP

Memphis, Tennessee

June 18, 2010

PFIZER SAVINGS PLAN
FOR EMPLOYEES RESIDENT IN PUERTO RICO
STATEMENTS OF NET ASSETS AVAILABLE FOR PLAN BENEFITS

(in thousands of dollars)	December 31, 2009	2008
Assets:		
Investments, at fair value:		
Pfizer Inc. common stock	$29,288	$24,605
Pfizer Inc. preferred stock	3,102	--
Common/collective trust funds	51,693	31,490
Mutual funds	12,307	4,463
Total investments, at fair value	96,390	60,558
Loans to participants	4,629	4,300
Receivables:		
Participant contributions	171	--
Company contributions	88	--
Receivable for securities sold	--	24
Total receivables	259	24
Total assets	101,278	64,882
Liabilities:		
Investment management fees payable	(2)	(1)
Total liabilities	(2)	(1)
Net assets available for plan benefits, at fair value	101,276	64,881
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	(1,040)	204
Net assets available for plan benefits	$100,236	$65,085

See Notes to Financial Statements which are an integral part of these financial statements.

PFIZER SAVINGS PLAN
FOR EMPLOYEES RESIDENT IN PUERTO RICO
STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR PLAN BENEFITS

(in thousands of dollars)	Year-ended December 31, 2009	2008
Additions/(reductions):		
Additions/(reductions) to net assets attributed to:		
Investment income/(loss):		
Net appreciation/(depreciation) in investments	$5,770	$(17,791)
Pfizer Inc. common stock dividends	1,124	1,844
Interest and dividend income from other investments	874	805
Total investment income/(loss)	7,768	(15,142)
Interest income from loans to participants	236	356
Less: Investment management fees	(2)	(7)
	8,002	(14,793)
Transfers into Plan	28,379	--
Contributions:		
Participant	5,581	7,378
Company	2,711	3,561
	8,292	10,939
Total additions/(reductions), net	44,673	(3,854)
Deductions:		
Deductions from net assets attributed to:		
Benefits paid to participants	(9,522)	(12,294)
Total deductions	(9,522)	(12,294)
Net increase (decrease)	35,151	(16,148)
Net assets available for plan benefits:		
Beginning of year	65,085	81,233
End of year	$100,236	$65,085

See Notes to Financial Statements which are an integral part of these financial statements.

PFIZER SAVINGS PLAN
FOR EMPLOYEES RESIDENT IN PUERTO RICO
Notes to Financial Statements
December 31, 2009
(in thousands of dollars)

1. Description of the Plan

The Pfizer Savings Plan for Employees Resident in Puerto Rico ("Plan"), originally adopted in 1990 as the Pfizer Savings and Investment Plan for Employees Resident in Puerto Rico, is a defined contribution retirement savings plan. Participation in the Plan is open to any employee employed by Pfizer Pharmaceuticals LLC (Plan Sponsor) or an affiliate which has, with the consent of the Plan Sponsor or Pfizer Inc. (Parent), adopted the Plan (Participating Employers) and who is included within a group or class designated by the Plan Sponsor as set forth in the Plan document. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA), and the Puerto Rico Internal Revenue Code of 1994, as amended (the Puerto Rico Code).

Under the Puerto Rico Code, any qualified plan involving pre-tax contributions of cash or deferred compensation arrangements must comply with one of two nondiscrimination tests. For the years ended December 31, 2009 and 2008, the Plan complied with both tests.

The following is a general description of certain provisions of the Plan. Participants should refer to the Plan document for more complete information.

Plan Administration

The Savings Plan Committee of Pfizer Inc. monitors and reports on the selection and termination of the trustee, custodian, and investment managers and on the investment activity and performance of the Plan.

Administrative Costs

Except for investment management fees and for redemption fees associated with certain investment fund options, all costs and expenses of administering the Plan are paid and absorbed by the Plan Sponsor and Participating Employers (collectively, the Company).

Contributions

Participants may elect to contribute on a before-tax basis or after-tax basis from 1% to 10% in whole percentages of their compensation, as defined in the Plan document. Pre-tax contributions are subject to certain restrictions under the Puerto Rico Code. Contributions of up to 3% of compensation are matched 100% by the Company and the next 3% are matched 50% by the Company. Participants' contributions in excess of 6% are not matched. Participants who are eligible employees are permitted to rollover into the Plan eligible distributions from other plans that are qualified under Section 1165(a) of the Puerto Rico Code.

Participant Accounts

Each participant's account is credited with the participant's contribution, allocations of the Company's contribution and Plan earnings/(losses). Allocations are based on participant earnings/(losses) or account balances, as defined. Participants are immediately vested in the full value of their account (i.e., participant's and Company's contributions).

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Investment Options

Nonparticipant-Directed Funds --

Pfizer Match Fund	--	This fund invests Company matching contributions in the common stock of Pfizer Inc. All Plan participants can diversify 100% of their Company matching contributions into any of the other available investment funds at any time after the contributions have been made to their account.
Pfizer Preferred Stock Fund	--	This fund holds investments in the preferred stock of Pfizer Inc. which were allocated to participants in the Pharmacia Savings Plan for Employees Resident in Puerto Rico before the merger of that plan into the Pfizer Savings Plan for Employees Resident in Puerto Rico (see Note 3). Dividends paid to the participants' Pfizer Preferred Stock Fund accounts are substituted for an allocation of Pfizer Inc. common stock.

Participant-Directed Funds -- Each participant in the Plan elects to have his or her contributions invested in any one or combination of the following investment funds:

(a)	Northern Trust Russell 2000 Small Cap Index Fund*
(b)	Northern Trust S&P 500 Equity Index Fund*
(c)	Pfizer Company Stock Fund
(d)	T. Rowe Price Stable Value Fund
(e)	Fidelity Low Price Stock Fund
(f)	Fidelity Mid Cap Stock Fund
(g)	Capital Guardian International Fund
(h)	BlackRock Lifepath Retirement Portfolio(2)
(i)	BlackRock Lifepath 2010 Portfolio(2)
(j)	BlackRock Lifepath 2020 Portfolio(2)
(k)	BlackRock Lifepath 2030 Portfolio(2)
(l)	BlackRock Lifepath 2040 Portfolio(2)
(m)	BlackRock TIPS Index Fund(2)
(n)	BlackRock US Debt Index Fund K(2)
(o)	Dodge & Cox International Stock Fund
(p)	Eaton Vance Large Cap Value Fund(1)
(q)	Fidelity Growth Company Fund
(r)	T. Rowe Price Small Cap Fund

*Northern Trust sponsored fund
(1) Replaced the Dodge & Cox Stock Fund effective October 31, 2009.
(2) Formerly Barclays Global Investors funds renamed upon acquisition by BlackRock in December 2009.

The trustee of the Plan, Banco Popular de Puerto Rico, and the custodian, Northern Trust Company, also manage investments in their sponsored funds and therefore, each is deemed to be a party-in-interest and a related party. The Plan's trust agreement provides that any portion of any of the investment funds may, pending its permanent investment or distribution, be invested in short-term investments.

Eligibility

All employees of the Company who are employed within the Commonwealth of Puerto Rico, except certain employees who are either covered by a collective bargaining agreement and have not negotiated to participate in the Plan or are employed by a unit not designated for participation in the Plan, are eligible to enroll in the Plan on their date of hire.

On December 31, 2009, the Pharmacia Savings Plan for Employees Resident in Puerto Rico (Pharmacia Puerto Rico Savings Plan) was merged into the Plan. Participants eligible to participate in or who held balances in the Pharmacia Puerto Rico Savings Plan became eligible to participate in the Plan. Participant balances of the Pharmacia Puerto Rico Savings Plan were transferred into investment options offered by the Plan as of that date.

Loans to Participants

Plan participants are permitted to borrow against their account balance. The minimum amount a participant may borrow is one thousand dollars and the maximum amount is the lesser of 50% of the account balance reduced by any current outstanding loan balance, or fifty thousand dollars, reduced by the highest outstanding loan balance in the preceding 12 months.

Under the terms of the Plan, loans must be repaid within five years, unless the funds are used to purchase a primary residence. Primary residence loans must be repaid over 6 to 15 years at the participant's option. The interest rate on all loans is based on the prime rate, as defined, in effect on the date the loan is requested, plus 1%. Interest rates on outstanding loans ranged from 4.25% to 9.5% at December 31, 2009 and from 4.75% to 9.5% at December 31, 2008. Interest paid is credited to the account of the participant. Repayments may not necessarily be made to the same fund from which the amounts were borrowed. Repayments are credited to the applicable funds based on the participant’s investment elections at the time of repayment.

In the event of termination, participants will have 90 days to repay the loan before the loan is considered taxable to the participant.

Benefit Payments

Upon separation from service, retirement or disability, a participant is entitled to receive the full value of the account balance in the form of a lump sum distribution. A participant generally may elect to receive his or her account balance at any time up to the later of 13 months after termination or age 65, subject to the provisions of the Plan. In the event of a participant's death, a spouse beneficiary generally may elect an immediate lump sum payment or defer payments until the later of 13 months from the date of death or when the participant would have reached age 65. A non-spouse beneficiary generally may elect an immediate lump sum payment or defer payment until 13 months from the date of the participant's death.

In-Service Withdrawals

Participants in the Plan may make in-service or hardship withdrawals from their account balances subject to the provisions of the Plan.

Plan Termination

The Plan Sponsor and the Parent expect to continue the Plan indefinitely, but reserve the right to amend, suspend or discontinue it in whole or in part at any time by action of the Plan Sponsor's Managers or the Board of Directors of the Parent or the authorized designee(s) of either of them. In the event of termination of the Plan, each participant shall be entitled to the full value of his or her account balance as though he or she had retired as of the date of such termination. No part of the invested assets established pursuant to the Plan will at any time revert to the Company, except as otherwise permitted under ERISA.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Plan are prepared on the accrual basis of accounting. Benefit payments are recorded when paid. For treatment of benefits processed and approved for payment prior to December 31 but not yet paid as of that date, refer to Note 9.

Investment contracts held by a defined contribution plan are required to be reported at fair value. However, contract value is the relevant measurement attribute for that portion of the net assets available for benefits of a defined contribution plan attributable to fully benefit-responsive investment contracts because contract value is the amount participants would receive if they were to initiate permitted transactions under the terms of the plan. As required, the accompanying statement of net assets available for plan benefits presents the fair value of the investment contracts as well as the adjustment of the fully benefit-responsive investment contracts from fair value to contract value. The statements of changes in net assets available for plan benefits are prepared on a contract value basis.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires Plan management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, the reported amounts of increases and decreases to net assets during the reporting period, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Investment Valuation

Pfizer Inc. common stock is valued at the closing market price on the last business day of the year. Common/collective trust funds, except for the investment in the T. Rowe Price Stable Value Fund, are stated at redemption value as determined by the trustees of such funds based upon the underlying securities stated at fair value. The T. Rowe Price Stable Value Fund represents a common/collective trust fund with an underlying investment in guaranteed investment contracts (GICs). These GICs are reported at fair value by the insurance companies and underlying banks with an appropriate adjustment to report such contracts at contract value because these investments are fully benefit-responsive. Mutual funds are recorded at fair value based on the closing market prices obtained from national exchanges of the underlying investments of the respective fund as of the last business day of the year.

Pfizer Inc. preferred stock provides dividends at the annual rate of 6.25% and is convertible at the holder's option into 2.57487 shares of Pfizer Inc. common stock. It may also be redeemed by Pfizer Inc. at a per share equivalent stated value of $40.30. Pfizer Inc. preferred stock is valued using the higher of the per share equivalent stated value of $40.30 or the quoted market price of Pfizer Inc. common stock multiplied by 2.57487 on the last business day of the Plan year (preferred stock share balances maintained by the Plan's trustee and recordkeeper are on a basis equal to a multiple of 1,000 of the share balance and one-thousandth of the $40,300 stated value). Pfizer Inc. preferred stock was value at $46.84 at December 31, 2009 based on the closing Pfizer Inc. common stock price of $18.19 on December 31, 2009. See Note 8 for additional information regarding the fair value of the Plan's investments.

Loans to Participants

Loans to participants, which are subject to various interest rates, are recorded at amortized cost.

Risks and Uncertainties

Investment securities, including Pfizer Inc. common stock and preferred stock, are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in their fair values could occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statements of net assets available for plan benefits.

Investment Transactions

Purchases and sales of securities are reflected on a trade-date basis. Dividend income is recorded on the ex-dividend date. Interest income is recorded as earned.

Net Appreciation/ (Depreciation) in Investments

The Plan presents in the statements of changes in net assets available for plan benefits the net appreciation/ (depreciation) in the value of its investments which consists of the realized gains and losses and the unrealized gains and losses on those investments, and the change in contract value of the common/collective trust fund holding investments in GICs. Realized gains and losses on sales of investments represent the difference between the net proceeds and the cost of the investments (average cost if less than the entire investment is sold). Unrealized gains and losses on investments represent the difference between the cost of the investments and their fair value at the end of the year. Additionally, it reflects the reversal of the unrealized gains and losses as of the end of the prior year.

Adoption of New Accounting Standard

As of January 1, 2008, the Plan adopted on a prospective basis certain required provisions of Statement of Financial Accounting Standards No. 157, Fair Value Measurements, as amended. Effective July 1, 2009, this standard was incorporated into the FASB Accounting Standards Codification (ASC) Section 820, Fair Value Measurements and Disclosures (FASB ASC 820). Those provisions relate to financial assets and liabilities carried at fair value and fair value disclosures related to financial assets and liabilities. FASB ASC 820, as amended, defines fair value, expands related disclosure requirements and specifies a hierarchy of valuation techniques based on the nature of the inputs used to develop the fair value measures. The adoption of FASB ASC 820 did not have a material impact on the Plan’s net assets available for plan benefits. (See Note 8: Fair Value Measurements).

3. Transfers Into and Out of the Plan

On December 31, 2009, the Pharmacia Puerto Rico Savings Plan was merged into the Plan resulting in a transfer of net assets in the amount of $28,379 into the Plan. Participants eligible to participate in or who held balances in the Pharmacia Puerto Rico Savings Plan became eligible to participate in the Plan. Participant balances were transferred into investment options offered by the Plan as of that date. The Company matching contribution formula elected by participants under the Pharmacia Puerto Rico Savings Plan remains in effect under the Plan.

4. Tax Status of the Plan

The Puerto Rico Department of Treasury has determined and informed the Plan Sponsor by letter dated October 3, 2005 that the Plan and related trust are designed in accordance with the applicable sections of the Puerto Rico Code. The Plan has been amended since receiving the determination letter. However, the Plan Administrator and the Plan's tax counsel believe that the Plan is designed and is currently being operated in compliance with all of the applicable requirements of the Puerto Rico Code. Accordingly, no provision has been made for Puerto Rico income taxes in the accompanying financial statements.

Contributions made to the Plan by the Company, including pre-tax contributions made on the participants' behalf and any appreciation on all funds in the participants' accounts, are not taxable to the participants under current Puerto Rico income tax law while these amounts remain in the Plan and the Plan maintains its qualified status.

5. Investments

The following investments represent 5% or more of the Plan's net assets available for plan benefits.

	December 31,	
(thousands of dollars)	2009	2008
Pfizer Inc. common stock*	$29,288	$24,605
T. Rowe Price Stable Value Fund, at contract value	33,601	21,927
Northern Trust S&P 500 Equity Index Fund	6,525	3,952

* Includes 847,388 nonparticipant-directed shares and 762,727 participant-directed shares at December 31, 2009 and 683,668 nonparticipant-directed shares and 705,674 participant-directed shares at December 31, 2008.

The Plan's investments (including gains and losses on investments sold, as well as held during the year) appreciated/(depreciated) in value as follows:

	Year ended December 31,	
(thousands of dollars)	2009	2008
Net appreciation/(depreciation) in investments:		
Pfizer Inc. common stock	$873	$(7,418)
Mutual funds	2,151	(4,172)
Common/collective trust funds	2,746	(6,201)
	$5,770	$(17,791)

6. Investment Contracts with Insurance Companies

The T. Rowe Price Stable Value Fund consists primarily of fully benefit-responsive GICs. The contract value of the GICs represents contributions made under the contract and related earnings offset by participant withdrawals.

7. Nonparticipant-Directed Investments

Information about the net assets and significant components of the changes in net assets relating to the nonparticipant-directed investments is as follows:

(thousands of dollars)	December 31, 2009	2008
Net assets:		
Investments, at fair value:		
Pfizer Inc. common stock	$15,414	$12,108
Pfizer Inc. preferred stock	3,102	--
Common/collective trust funds	146	69
Total investments	18,662	12,177
Receivables:		
Participant contributions	8	--
Company contributions	88	--
Receivable for securities sold	--	24
Total receivables	96	24
Net assets available for plan benefits	$18,758	$12,201

(thousands of dollars)	Year ended December 31, 2009	2008
Changes in net assets:		
Investment income/(loss):		
Net appreciation (depreciation) in investments	$ 496	$ (3,719)
Pfizer Inc. common stock dividends	558	914
Interest and dividend income from other investments	38	69
	1,092	(2,736)
Company contributions	2,709	3,560
Benefits paid to participants	(1,983)	(3,172)
Loan transaction transfers, net	265	247
Transfers into Plan	5,575	--
Transfers to participant-directed investments	(1,101)	(3,065)
	5,465	(2,430)
Net increase (decrease)	6,557	(5,166)
Net assets available for plan benefits:		
Beginning of year	12,201	17,367
End of year	$ 18,758	$ 12,201

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8. Fair Value Measurements

The following tables set forth by level, within the FASB ASC 820 fair value hierarchy, the Plan's investments at fair value as of December 31, 2009 and 2008.

(thousands of dollars)	Investments at Fair Value as of December 31, 2009			
	Level 1	Level 2	Level 3	Total
Mutual funds	$12,307	$--	$--	$12,307
Pfizer Inc. common stock	29,288	--	--	29,288
Pfizer Inc. preferred stock	--	3,102	--	3,102
Common/collective trust funds	--	51,693	--	51,693
Total investments at fair value	$41,595	$54,795	$--	$96,390

(thousands of dollars)	Investments at Fair Value as of December 31, 2008			
	Level 1	Level 2	Level 3	Total
Mutual funds	$4,463	$--	$--	$4,463
Pfizer Inc. common stock	24,605	--	--	24,605
Common/collective trust funds	--	31,490	--	31,490
Total investments at fair value	$29,068	$31,490	$--	$60,558

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. There are three levels of inputs to fair value measurements - Level 1 meaning the use of quoted prices for identical instruments in active markets; Level 2 meaning the use of quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in markets that are not active or are directly or indirectly observable; Level 3 meaning the use of unobservable inputs.

See Note 2: Investment Valuation for information regarding the methods used to determine the fair value of the Plan's investments. These methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

9. Reconciliation of Financial Statements to Form 5500

Amounts allocated to withdrawing participants are recorded as benefits paid on Form 5500 for benefit claims that have been processed and approved for payment prior to December 31 but not yet paid as of that date. Deemed distributions, representing withdrawing participants with outstanding loan balances for which no post-default payment activity has occurred, are not reported on Form 5500 in net assets available for plan benefits. Also, investments in the T. Rowe Price Stable Value Fund are reported on Form 5500 at fair value, whereas the net assets available for plan benefits in the financial statements report such investments at contract value.

The following is a reconciliation of net assets available for plan benefits per the financial statements to the Plan's Form 5500 filed for 2008 and expected to be filed for 2009.

(thousands of dollars)	December 31, 2009	2008
Net assets available for plan benefits per the financial statements	$ 100,236	$ 65,085
Adjustment of T. Rowe Price Stable Value Fund investment from contract value to fair value	1,040	(204)
Amounts allocated to withdrawing participants	(34	$ 12,023

Impact of currency exchange rate fluctuations (1)	(336)	314	613	(215)	(699)	(622)	(448)	452	836	674	
Net impact of acquisitions, distributed sales and discontinued products, excluding currency exchange rate fluctuations (2)	(65)	95	397	333	234	101	235	703	929	1,133	

$ 12,739 $ 11,847

(1) Represents the impact of the change in foreign exchange rates compared to the corresponding quarter of the prior year based on the weighted averge exchange rate for each quarter.

(2) Represents the impact of sales of products of acquired businesses and distributed sales of other manufacturers products, net of sales related to discontinued products and other activities, based on 12 months sales following the date of the event or transaction, for the current period only.

Results of Operations

Comparison of the three and six months ended June 30, 2010, to the three and six months ended June 30, 2009

The following tables set forth, for the periods indicated, our results of operations, net sales by product category, net sales by geography, and the change between the specified periods expressed as a percent increase or decrease:

	Three months ended June 30			Six months ended June 30		
(unaudited)	**2010**	**2009**	**Percent change**	**2010**	**2009**	**Percent change**
	($ in thousands)			**($ in thousands)**		
Net sales	$ 14,158	$ 12,630	12%	$ 27,973	$ 23,978	17%

Net sales by product category:						
Vascular	$ 10,207	$ 8,481	20%	$ 19,764	$ 15,965	24%
Endovascular	2,944	3,051	(4%)	6,236	5,983	4%
General Surgery	965	976	(1%)	1,920	1,856	3%
Total Branded Products	14,116	12,508	13%	27,920	23,804	17%
OEM	42	122	(66%)	53	174	(70%)
Total	$ 14,158	$ 12,630	12%	$ 27,973	$ 23,978	17%
Net sales by geography:						
Americas	$ 8,872	$ 7,269	22%	$ 16,920	$ 13,950	21%
International	5,286	5,361	(1%)	11,053	10,028	10%
Total	$ 14,158	$ 12,630	12%	$ 27,973	$ 23,978	17%

Net sales. Net sales increased 12% to $14.2 million for the three months ended June 30, 2010, compared to $12.6 million for the three months ended June 30, 2009. The divestiture of the Optilock Implantable Port and the discontinuance of the aSpire stent reduced year-over-year sales growth by 1%, while changes in foreign currency exchange rates reduced net sales by 2%. Excluding these effects, net sales for the three months ended June 30, 2010 grew 15%.

Net sales increased 17% to $28.0 million for the six months ended June 30, 2010, compared to $24.0 million for the six months ended June 30, 2009. The net effect of new acquisitions, business development activities and changes in foreign currency exchange rates did not materially impact year-over-year sales growth for the six months ended June 30, 2010.

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Sales increases for the three months ended June 30, 2010 were largely driven by higher average selling prices across nearly all product lines, particularly in the United States, as well as increased sales in all Vascular category products including shunts of $0.4 million, valvulotomes of $0.4 million, remote endarterectomy of $0.4 million, and XenoSure of $0.3 million. These gains were partially offset by decreases in selected product lines including the TAArget Thoracic Stent Graft of $0.2 million, and the divestiture of the OptiLock Implantable Port and discontinuance of the aSpire stent of $0.1 million.

Sales increases for the six months ended June 30, 2010 were largely driven by higher average selling prices across nearly all product lines, as well as increased sales in all Vascular category products including valvulotomes of $1.0 million, XenoSure patches of $0.7 million, shunts of $0.7 million, remote endarterectomy of $0.5 million, and AlboGraft Vascular Graft of $0.5 million. These gains were partially offset by decreases in selected product lines including the TAArget Thoracic Stent Graft of $0.3 million and the divestiture of the OptiLock Implantable Port and discontinuance of the aSpire stent of $0.1 million.

On March 31, 2010, we discontinued the aSpire covered stent. On June 1, 2010, we sold our OptiLock Implantable Port product line. Sales of these two product lines were $0.2 million in the second half of 2009.

Direct-to-hospital net sales were 92% for the three and six months ended June 30, 2010 and 2009, respectively.

Net sales by geography. Net sales in the Americas increased $1.6 million for the three months ended June 30, 2010. The increase was largely the result of higher average selling prices across nearly all product lines, increases in all Vascular category product sales and increased sales of the XenoSure biologic patch of $0.3 million. International net sales decreased $0.1 million for the three months ended June 30, 2010. The decrease was primarily driven by the negative effects of the change in foreign currency exchange rates of $0.3 million, and was partially offset by the growth in our French, Italian, and Japanese subsidiaries.

Net sales in the Americas increased $3.0 million for the six months ended June 30, 2010. The increase was largely the result of higher average selling prices across nearly all product lines, increases in all Vascular category product sales and increased sales of the XenoSure biologic patch of $0.7 million. International net sales increased $1.0 million for the six months ended June 30, 2010. The increase was primarily driven by increased sales of the AlboGraft Vascular Graft of $0.5 million, the Powerlink System of $0.4 million, and the growth in our French, Italian, and Japanese subsidiaries. For the first quarter of 2009, sales of the AlboGraft Vascular Grafts were temporarily depressed in connection with the termination of the Edwards distribution agreement.

International direct-to-hospital net sales decreased to 81% of total net sales for the three months ended June 30, 2010, down from 82% for the three months ended, June 30, 2009. International direct-to-hospital net sales were 82% of total net sales for the six months ended June 30, 2010 and 2009.

	Three months ended June 30				Six months ended June 30			
(unaudited)	**2010**	**2009**	**$ Change**	**Percent change**	**2010**	**2009**	**$ Change**	**Percent change**
		($ in thousands)				**($ in thousands)**		
Gross profit	$ 10,656	$ 9,122	$ 1,534	16.8%	$ 20,974	$ 17,388	$ 3,586	20.6%
Gross margin	75.3%	72.2%	*	3.1%	75.0%	72.5%	*	2.5%

* Not a meaningful percentage relationship.

Gross Profit. Gross profit increased 16.8% to $10.7 million for the three months ended June 30, 2010, while our gross margin increased 3.1% to 75.3% in the same period. The gross margin increase was largely the result of higher average selling prices across nearly all product lines, particularly in the United States, improved manufacturing efficiencies, and favorable product and geographical sales mix. The gross margin increase was partially offset by an increase in excess and obsolete inventory write-downs of $0.3 million.

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Gross profit increased 20.6% to $21.0 million for the six months ended June 30, 2010, while the gross margin increased 2.5% to 75.0% in the same period. The gross margin increase was largely the result of improved manufacturing efficiencies, and higher average selling prices across nearly all product lines, particularly in the United States. The gross margin increase was partially offset by an increase in excess and obsolete inventory write-downs of $0.4 million, and the discontinuance of the aSpire product line.

	Three months ended June 30, 2010				Six months ended June 30, 2010			
(unaudited)	2010	2009	$ change	Percent change	2010	2009	$ change	Percent change
		($ in thousands)				($ in thousands)		
Sales and marketing	$ 4,747	$ 4,249	$ 498	12%	$ 9,641	$ 8,395	$ 1,246	15%
General and administrative	2,495	2,412	83	3%	5,109	4,937	172	3%
Research and development	1,338	1,435	(97)	(7%)	2,878	2,746	132	5%
Restructuring charges	0	0		*	0	1,777	(1,777)	*
Impairment charge	68	33	35	*	68	106	(38)	*
Total	$ 8,648	$ 8,129	$ 519	6%	$ 17,696	$ 17,961	$ (265)	(1%)

	Three months ended June 30, 2010			Six months ended June 30, 2010		
	2010 as a % of Revenue	2009 as a % of Revenue	Change	2010 as a % of Revenue	2009 as a % of Revenue	Change
Sales and marketing	34%	34%	0%	34%	35%	(1%)
General and administrative	18%	19%	(1%)	18%	21%	(3%)
Research and development	9%	11%	(2%)	10%	11%	(1%)
Restructuring charges	0%	0%	0%	0%	7%	(7%)
Impairment charge	0%	0%	0%	0%	0%	(0%)

* Not a meaningful percentage relationship.

Sales and marketing. For the three months ended June 30, 2010 sales and marketing expenses increased 12% to $4.8 million. Selling expenses increased $0.5 million while marketing expenses remained flat. Selling expense increases were largely driven by higher commission costs of $0.5 million related to increased commissionable sales and seven additional sales representatives as compared to the prior year period. For the three months ended June 30, 2010, foreign currency exchange rate fluctuations decreased sales and marketing expenses by $0.1 million compared to the same period in the prior year. As a percentage of net sales, sales and marketing expenses were 34% in the three months ended June 30, 2010, consistent with the prior year quarter.

For the six months ended June 30, 2010 sales and marketing expenses increased 15% to $9.6 million. Selling expenses increased $1.1 million while marketing expenses grew $0.1 million. Selling expense increases were largely driven by higher commission costs of $1.0 million. As a percentage of net sales, sales and marketing expenses decreased to 34% in the six months ended June 30, 2010, from 35% in the prior year period.

General and administrative. For the three months ended June 30, 2010, general and administrative expenses increased 3% to $2.5 million. The increase was a result of higher personnel costs of $0.2 million which was partially offset by a decrease in professional services of $0.1 million. As a percentage of net sales, general and administrative expenses decreased to 18% in the three months ended June 30, 2010, from 19% in the prior year quarter.

For the six months ended June 30, 2010, general and administrative expenses increased 3% to $5.1 million. The increase was a result of higher personnel costs of $0.4 million and additional intangible amortization of $0.1 million which was partially offset by a decrease in professional services of $0.2 million. As a percentage of net sales, general and administrative expenses were 18% for the six months ended June 30, 2010, a decrease of 3% from the six months ended June 30, 2009.

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Research and development. For the three months ended June 30, 2010, research and development costs decreased 7% to $1.3 million. The decrease was a result of reduced clinical and regulatory outside testing services of $0.1 million. For the six months ended June 30, 2010, research and development costs increased 5% to $2.9 million. The increase was the result of higher product development expenses of $0.1 million incurred in the first quarter of 2010.

As of June 30, 2010 we had enrolled 64 patients in our UNITE clinical trial, compared to 47 as of December 31, 2009. In July 2010, we enrolled the first patient in our ENTRUST clinical trial, a feasibility study of our TAArget Thoracic Stent Graft. Clinical trial enrollment is a significant driver of our research and development expense and therefore, we anticipate that research and development expenses will increase over time as more UNITE and ENTRUST trial patients are enrolled, additional regulatory approvals are sought, and more product development is undertaken. As a percentage of net sales, research and development expenses were 10% for the six months ended June 30, 2010, a decrease of 1% from the six months ended June 30, 2009.

Restructuring. In March 2009, we incurred a $1.8 million restructuring charge related to the March 27, 2009 termination of our AlboGraft Vascular Graft distribution agreement with Edwards Lifesciences. The transaction included the payment of $3.5 million in exchange for the termination of the distribution agreement, as well as the acquisition of detailed customer information, transition services, and remaining product inventory. We did not incur any restructuring charges in the three months or six months ended June 30, 2010.

Impairment charge. During the three months ended June 30, 2010, we recorded $0.1 million of impairment charges related to a customer relationship associated with our Biomateriali subsidiary s OEM revenues. Impairment charges were $0.1 million for the six months ended June 30, 2010 and 2009.

Foreign exchange gains / losses. Foreign exchange losses for the three months ended June 30, 2010 were $0.1 million, compared to foreign exchange gains of $0.1 million for the three months ended June 30, 2009. Foreign exchange losses were due to the comparative strengthening of the U.S. dollar versus the euro during the financial period. Foreign exchange gains and losses for the six months ended June 30, 2010 and 2009 were not material.

Income tax expense. We recorded a provision for taxes of $0.5 million on pre-tax income of $2.0 million for the three months ended June 30, 2010, compared to $0.2 million on a pre-tax income of $1.1 million for the three months ended June 30, 2009. We recorded a provision for taxes of $0.7 million on pre-tax income of $3.3 million for the six months ended June 30, 2010, compared to $0.4 million on a pre-tax loss of $0.6 million for the six months ended June 30, 2009. Our current period provision is based on the estimated annual effective tax rate for 2010 of 22.0%, which includes estimated federal and state income taxes of approximately $0.6 million, as well as foreign income taxes of $0.1 million. Our income tax expense for the current period varies from the statutory rate amounts mainly due to the utilization of United States tax credit carryforwards and net operating losses. In 2009, our income tax provision was driven by taxable earnings at a foreign subsidiary of $0.2 million, the recording of a deferred tax liability related to the amortization of goodwill for U.S. tax reporting purposes of $0.1 million which could not be offset by existing deferred tax assets and a one-time discrete item related to a deferred tax liability of $0.1 million. We monitor the mix of profitability by tax jurisdiction and adjust our annual expected rate on a quarterly basis as needed.

We provide a valuation allowance for substantially all of our net deferred tax assets, as we believe it is more likely than not that the future tax benefits from accumulated net operating losses and deferred taxes will not be realized. However, it is possible that the realization of future profits could result in the reversal of a significant portion, or all of the valuation allowance, which would then be recorded as a tax benefit in the consolidated statements of operations in the period of reversal.

The estimated annual effective tax rate for 2010 does not consider the research and development tax credit as it has expired under federal statute. If the research and development tax credit is reenacted in 2010, we would recognize the credit as a discrete item in the consolidated statements of operations in the period which the statute is passed.

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In 2009, we utilized $4.8 million of our U.S net operating loss carryforwards. During 2010, we will likely utilize the remaining $1.8 million of U.S net operating loss carryforwards, which would result in an increased provision for taxes on a prospective basis once these tax attributes have been fully utilized.

Liquidity and Capital Resources

At June 30, 2010, our cash, cash equivalents and marketable securities were $26.0 million as compared to $24.0 million at December 31, 2009. Our cash and cash equivalents are highly liquid investments with maturities of 90 days or less at the date of purchase and consist of time deposits, fully collateralized overnight repurchase agreements, and U.S. government obligations, and are stated at cost, which approximates fair value. Our marketable securities are primarily marketable debt securities, corporate bonds, and U.S. government securities that we classify as available-for-sale and are carried at fair market value. We did not hold any mortgage asset-backed or auction-rate securities in our investment portfolio as of June 30, 2010.

The majority of our marketable securities have remaining maturities of two years or less. As of June 30, 2010, our investment portfolio included $0.3 million of corporate bonds and asset-backed securities, collateralized by credit card debt and auto loans. In the event of a temporary decline in market value, we have the intent and ability to hold our debt investments for a sufficient period of time to allow for recovery of the principal amounts invested. We continually monitor the asset allocation of our holdings in an attempt to mitigate our credit and interest rate exposures, and we intend to continue to closely monitor developments in the credit markets and make appropriate changes to our investment policy as necessary. Although the inherent volatility of global financial markets can affect the liquidity and valuation of selected securities, we do not anticipate that these events will result in significant portfolio liquidity limitations or write-downs, although we can make no assurances to this effect.

Operating and Capital Expenditure Requirements

We require cash to pay our operating expenses, make capital expenditures, and pay our long-term liabilities. Since our inception, we have funded our operations through public offerings and private placements of equity securities, short-term borrowings, and funds generated from our operations.

We recognized operating income of $2.0 million for the three months ended June 30, 2010. We recognized operating income in excess of $1.0 million for each of the past five quarters. Although it is our intention to generate an operating profit on an ongoing basis, excluding the impact of acquisitions, distributor terminations, and operational restructurings, there can be no assurance that we will generate an operating profit in the future due to our continued investment in growing our business as well as the cost of operating as a public company. We expect to fund any increased costs and expenditures from our existing cash and cash equivalents and marketable securities, though our future capital requirements depend on numerous factors. These factors include, but are not limited to, the following:

- the revenues generated by sales of our products;
- the costs associated with expanding our manufacturing, marketing, sales, and distribution efforts;
- the earn-out payments due related to The UnBalloon Non-Occlusive Modeling Catheter;
- the rate of progress and cost of our research and development activities;
- litigation;
- the costs of obtaining and maintaining FDA and other regulatory clearances of our products and products in development;

the effects of competing technological and market developments; and

the number, timing, and nature of acquisitions and other strategic transactions.

Our cash balances may decrease as we continue to use cash to fund our operations, make acquisitions, make purchases under our share repurchase program, and make deferred payments related to prior acquisitions. We believe that our cash, cash equivalents, investments and the interest we earn on these balances will be sufficient to meet our anticipated cash requirements for at least the next 12 months. If these sources of cash are insufficient to satisfy our liquidity requirements beyond the next 12 months, we may seek to sell additional equity or debt securities

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or borrow from a financial institution. The sale of additional equity and debt securities may result in dilution to our stockholders. If we raise additional funds through the issuance of debt securities, such securities could have rights senior to those of our common stock and could contain covenants that would restrict our operations. We may require additional capital beyond our currently forecasted amounts. Any such required additional capital may not be available on reasonable terms, if at all.

Credit Facility

We are party to a revolving line of credit with Brown Brothers Harriman & Co. under which our borrowing capacity was $10 million and the maximum principal amount of any letters of credit issued as part of this facility was $3 million. Loans made under this revolving line of credit bear interest at the bank s base rate or LIBOR plus 200 basis points, at our discretion, and are collateralized by substantially all of our assets. The loan agreement required that we meet certain financial and operating covenants including a required leverage ratio and minimum tangible net worth. As of June 30, 2010 and December 31, 2009, we had no borrowings outstanding under this credit facility and were in compliance with these covenants. This revolving line of credit was scheduled to expire in August 2011; however, on August 9, 2010, we terminated this facility effective as of August 23, 2010. We currently have no borrowings outstanding under this credit facility. Further information regarding this facility is detailed in Part II, Item 5. Other Information in this Quarterly Report on Form 10-Q.

Cash Flows

	Six months ended June 30,		
	2010	2009	Net Change
Cash and cash equivalents	$ 25,608	$ 23,192	$ 2,416
Cash flows provided by (used in):			
Operating activities	$ 3,460	$ 308	$ 3,152
Investing activities	(161)	486	(647)
Financing activities	(723)	9	(732)

Net cash provided by operating activities. Net cash provided by operating activities was $3.5 million for the six months ended June 30, 2010, and consisted of the $2.5 million net income, adjusted for non-cash items of $1.9 million (including depreciation and amortization of $0.7 million, stock-based compensation of $0.4 million, provision for inventory write-offs of $0.5 million, and provision for income taxes of $0.1 million) and was partially offset by changes in working capital of $1.0 million. The net cash used by changes in working capital was principally the result of an increase in accounts receivable and inventories as well as a decrease in accounts payable and other liabilities.

Net cash provided by operating activities was $0.3 million for the six months ended June 30, 2009, and consisted of the $1.0 million net loss, adjusted for non-cash items of $1.7 million (including depreciation and amortization of $0.7 million, stock-based compensation of $0.4 million, provision for inventory write-offs of $0.2 million, provision for income taxes of $0.1 million and an intangibles impairment charge of $0.1 million) and net cash used from changes in working capital of $0.4 million. The net cash used from changes in working capital was principally the result of a reduction in accounts payable and accrued expenses and to a lesser extent an increase in inventories.

Net cash provided by (used in) investing activities. Net cash used in investing activities was $0.2 million for the six months ended June 30, 2010. This was primarily due to the purchase of property and equipment of $0.6 million, partially offset by the sales and maturities of marketable securities of $0.4 million.

Net cash provided by investing activities was $0.5 million for the six months ended June 30, 2009. This was primarily due to sales and maturities of marketable securities of $2.3 million, partially offset by the purchase of technology and other intangibles of $1.1 million, payments made related to prior year acquisitions of $0.6 million, and the purchase of property and equipment of $0.2 million.

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In 2007, we purchased certain patent applications and in-process research and development from Arizona Heart Innovative Technologies, LLC. Earn-out payments associated with the commercialization of the device in the European Union and the United States were included as part of the consideration. The European earn-out period is measured from December 23, 2009 through December 22, 2010. We recorded an intangible asset of approximately $26,000 related to the European sales volume earn-out through June 30, 2010. The U.S. earn-out period is measured for four quarters following the first commercial sale in the United States. We anticipate that the payment of resulting future earn-out obligations may impact cash flow from investing activities in 2010.

On June 1, 2010, we sold our OptiLock Implantable Port product line to Minvasive Ltd. (Minvasive). In exchange for consideration of approximately $0.2 million, Minvasive received our existing inventory, tangible and intangible assets, and a customer list associated with the product line. Payment terms included $30,000 due at signing, with the remaining balance to be paid in the form of a royalty of 30% on Minvasive OptiLock Implantable Port sales until the total consideration is paid in full. In 2014, any outstanding balance will become due in full. The agreement also includes discounts for prepayment prior to August 15, 2010 or September 30, 2010.

Net cash provided by (used in) financing activities. Net cash used in financing activities was $0.7 million for the six months ended June 30, 2010 which was primarily driven by the purchase of $0.7 million of our outstanding shares under our stock repurchase plan.

Cash flows for financing activities were not significant during the six months ended June 30, 2009.

Contractual Obligations

Our principal contractual obligations consist of operating leases, inventory purchase commitments, and income tax obligations for unrecognized tax benefits. The following table summarizes our commitments to settle contractual obligations as of June 30, 2010:

Contractual obligations	Total	Less than 1 year	1-3 years	3-5 years
		(in thousands)		
Operating leases	$ 4,528	$ 1,018	$ 1,727	$ 1,783
Purchase commitments for inventory	15,373	4,595	8,958	1,820
FIN48 unrecognized tax benefits	299	299		
Total contractual obligations	$ 20,200	$ 5,912	$ 10,685	$ 3,603

The commitments under our operating leases consist primarily of lease payments for our Burlington, Massachusetts, corporate headquarters and manufacturing facility, expiring in 2017; our Sulzbach, Germany office, expiring in 2014; and our Tokyo, Japan office, expiring in 2013.

The purchase commitments for inventory are intended to be used in operations in the normal course of business and do not represent excess commitments or loss contracts.

Off-Balance Sheet Arrangements

We did not have any off-balance sheet arrangements as of June 30, 2010.

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Use of Non-GAAP Financial Measures

We believe that in order to properly understand our short-term and long-term financial trends, investors may wish to consider the impact of certain non-cash or non-recurring items, when used as a supplement to financial performance measures in accordance with U.S. GAAP. These items result from facts and circumstances that vary in frequency and/or impact on continuing operations. In addition, management uses results of operations excluding such items to evaluate our operational performance and as a basis for strategic planning. Investors should consider these non-GAAP measures in addition to, and not as a substitute for, financial performance measures in accordance with U.S. GAAP.

Net sales excluding acquisitions, business development activities and changes in foreign currency exchange rates is a non-GAAP financial measure. We analyze net sales on a constant currency basis net of acquisitions and other non-recurring events to better measure the comparability of results between periods. Because changes in foreign currency exchange rates have a non-operating impact on net sales, and acquisitions and other strategic transactions are episodic in nature and highly variable in sales impact, we believe that evaluating growth in sales on a constant currency basis net of such transactions provides an additional and meaningful assessment of sales to both management and our investors. We commenced distribution of the XenoSure Biologic Patch on January 26, 2009. On March 31, 2010, we discontinued the aSpire covered stent. On June 1, 2010, we divested our OptiLock port product line.

Critical Accounting Policies and Estimates

We have adopted various accounting policies to prepare our consolidated financial statements in accordance with U.S. generally accepted accounting principles, or U.S. GAAP. Our most significant accounting policies are described in note 1 to our consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2009. There have been no material changes in our critical accounting policies during the six months ended June 30, 2010. The preparation of our consolidated financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions that affect the amounts reported in our consolidated financial statements and accompanying notes. Our estimates and assumptions, including those related to bad debts, inventories, intangible assets, sales returns and discounts, and income taxes are reviewed on an ongoing basis and updated as appropriate. Actual results may differ from those estimates.

Recent Accounting Pronouncements

In January 2010, the Financial Accounting Standards Board (the FASB) revised the accounting rules regarding fair value disclosures. This revised guidance requires additional disclosures related to transfers between levels in the hierarchy of fair value measurement. We adopted this guidance effective January 1, 2010. The revised guidance does not change how fair values are measured; accordingly, the adoption did not have an effect on our consolidated results of operations or financial condition. For the six months ended June 30, 2010, we did not transfer any assets or liabilities that are measured at fair value on a recurring basis between Levels 1 and 2, and did not have any transfers into and out of Level 3.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

This item is not applicable to us as a smaller reporting company.

Item 4T. Controls and Procedures

Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed by us in reports we file or submit under the Securities Exchange Act of 1934 is reported, processed, and summarized within the time periods specified in the SEC s rules and forms. As of June 30, 2010, or the Evaluation Date, our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities and Exchange Act of 1934). Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of the Evaluation Date, our disclosure controls and procedures were effective at the reasonable assurance level.

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Changes in Internal Control

There have been no changes in our internal control over financial reporting for the quarter ended June 30, 2010, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations of Internal Controls

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal controls will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, a control may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Part II. Other Information

Item 1. Legal Proceedings.

In the ordinary course of business, we are from time to time involved in lawsuits, claims, investigations, proceedings, and threats of litigation relating to intellectual property, commercial and other matters. While the outcome of these proceedings and claims cannot be predicted with certainty, there are no matters, as of June 30, 2010, that, in the opinion of management, might have a material adverse effect on our financial position, results of operations or cash flows.

Item 1A. Risk Factors

In Part I-Item 1A (Risk Factors) of our Annual Report on Form 10-K for the fiscal year ended December 31, 2009, which was filed with the Securities and Exchange Commission on March 29, 2010, we describe risk factors related to LeMaitre Vascular. The following risk factor is a material change from those set forth in our Annual Report on Form 10-K for the year ended December 31, 2009. You should carefully review these risks and those described in our Annual Report on Form 10-K and in other reports we file with the Securities and Exchange Commission in evaluating our business.

We depend on our senior management team and other key scientific, sales, and technical personnel, and if we are unable to retain them or recruit additional qualified personnel we may not be able to manage our operations and meet our strategic objectives.

We depend on the continued services of our senior management team and other key scientific, sales, and technical personnel, as well as our ability to continue to attract and retain additional highly qualified personnel. Our ability to retain our skilled labor force and our success in attracting and hiring new skilled employees will be a critical factor in determining whether we will be successful in the future. Each of our key employees may terminate his or her employment with us at any time. The loss of any of our senior management team or key employees could

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harm our business. We compete for such personnel with other companies, academic institutions, government entities, and other organizations. We may not be able to meet our future hiring needs or retain existing personnel on acceptable terms. We could face significant challenges and risks in hiring, training, managing, and retaining engineering and sales employees. Any loss or interruption of the services of our other key personnel could also significantly reduce our ability to effectively manage our operations and meet our strategic objectives, because we cannot assure you that we would be able to find an appropriate replacement should the need arise.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Recent Sales of Unregistered Securities

None

Issuer Purchases of Equity Securities

	Issuer Purchases of Equity Securities			
Period	**Total Number of Shares (or Units) Purchased (1)**	**Average Price Paid Per Share (or Unit)**	**Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Program (2)**	**Maximum Number (or Approximate Dollar Value) of Shares (or Units) that may yet be Purchased under the Plans or Program**
April 1, 2010 through April 30, 2010	1,517	$ 4.83	31,671	$ 4,014,513
May 1, 2010 through May 31, 2010	1,905	$ 4.94	35,186	$ 3,832,026
June 1, 2010 through June 30, 2010		$	9,352	$ 3,780,523
Total	3,422	$ 4.89	76,209	$ 3,780,523

(1) For the three months ended June 30, 2010, we repurchased 3,422 shares of our common stock in conjunction with the tender of shares to satisfy the employees obligations with respect to withholding taxes in connection with the vesting of restricted stock units.

(2) In July 2009, our board of directors approved our repurchase of shares of common stock having a value of up to $1.0 million in the aggregate pursuant a repurchase program. In October 2009, our board of directors increased the aggregate total of the repurchase program to $2.0 million, and in July 2010, our board of directors increased the aggregate total of the repurchase program to $5.0 million. The expiration date of this program is December 31, 2011.

Use of Proceeds from the Sale of Registered Securities

None

Item 5. Other Information

We are party to a revolving line of credit with Brown Brothers Harriman & Co. under which our borrowing capacity was $10 million and the maximum principal amount of any letters of credit issued as part of this facility was $3 million. Loans made under this revolving line of credit bear interest at the bank s base rate or LIBOR plus 200 basis points, at our discretion, and are collateralized by substantially all of our assets. The loan agreement required that we meet certain financial and operating covenants including a required leverage ratio and minimum tangible net worth. As of June 30, 2010 and December 31, 2009, we had no borrowings outstanding under this credit facility and were in compliance with these covenants. This revolving line of credit was scheduled to expire in August 2011; however, on August 9, 2010, we terminated this facility effective as of August 23, 2010. We currently have no borrowings outstanding under this credit facility.

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The termination of the credit facility will result in the simultaneous termination of a Guaranty of our wholly-owned subsidiary, Vascutech Acquisition LLC, in favor of the Bank, dated March 29, 2001, an Amendment of Guaranty of Vascutech Acquisition LLC in favor of the Bank, dated September 25, 2006, a Security Agreement of Vascutech Acquisition LLC in favor of the Bank, dated March 29, 2001, a Letter Agreement with Brown Brothers Harriman & Co. dated September 25, 2006, a Letter Agreement with Brown Brothers Harriman & Co. dated August 23, 2008. These documents further implemented the terms of the credit facility, including the collateralization of our assets, as discussed above.

Item 6. Exhibits

Exhibit		Incorporated by Reference			Filed
Number	**Exhibit Description**	**Form**	**Date**	**Number**	**Herewith**
31.1	Certification of Chief Executive Officer, as required by Rule 13a-14(a) or Rule 15d-14(a).				X
31.2	Certification of Chief Financial Officer, as required by Rule 13a-14(a) or Rule 15d-14(a).				X
32.1	Certification by the Chief Executive Officer, as required by Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 36 of Title 18 of the United States Code (18 U.S.C. §1350).*				X
32.2	Certification by the Chief Financial Officer, as required by Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 36 of Title 18 of the United States Code (18 U.S.C. §1350).*				X

* The certifications attached as Exhibit 32.1 and Exhibit 32.2 that accompany this Quarterly Report on Form 10-Q, are not deemed filed with the SEC and are not to be incorporated by reference into any filing of LeMaitre Vascular, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in such filing.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on August 12, 2010.

LEMAITRE VASCULAR, INC

/s/ George W. LeMaitre
George W. LeMaitre
Chairman and Chief Executive Officer

/s/ Joseph P. Pellegrino, Jr.
Joseph P. Pellegrino, Jr.
Chief Financial Officer

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EXHIBIT INDEX

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Date	Number	
31.1	Certification of Chief Executive Officer, as required by Rule 13a-14(a) or Rule 15d-14(a).				X
31.2	Certification of Chief Financial Officer, as required by Rule 13a-14(a) or Rule 15d-14(a).				X
32.1	Certification by the Chief Executive Officer, as required by Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 36 of Title 18 of the United States Code (18 U.S.C. §1350).*				X
32.2	Certification by the Chief Financial Officer, as required by Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 36 of Title 18 of the United States Code (18 U.S.C. §1350).*				X

* The certifications attached as Exhibit 32.1 and Exhibit 32.2 that accompany this Quarterly Report on Form 10-Q, are not deemed filed with the SEC and are not to be incorporated by reference into any filing of LeMaitre Vascular, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in such filing.