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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2018

Or

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

For the transition period from _____ to _____.

Commission File Number 001-33092

LEMAITRE VASCULAR, INC.
(Exact name of registrant as specified in its charter)

Delaware	**04-2825458**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
63 Second Avenue, Burlington, Massachusetts	**01803**
(Address of principal executive offices)	**(Zip Code)**

(781) 221-2266
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth Company "in Rule12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☒
Non-accelerated filer ☐	Smaller reporting company ☐
	Emerging growth company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule12b-2 of the Exchange Act). Yes ☐ No ☒

The registrant had 19,582,075 shares of common stock, $.01 par value per share, outstanding as of October 30, 2018.

LEMAITRE VASCULAR
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Part I. Financial Information

Item 1. Financial Statements

LeMaitre Vascular, Inc.
Consolidated Balance Sheets

	(unaudited) September 30, 2018	December 31, 2017
	(in thousands, except per share data)	
Assets		
Current assets:		
Cash and cash equivalents	$ 20,104	$ 19,096
Short-term marketable securities	25,522	22,564
Accounts receivable, net of allowances of $530 at September 30, 2018, and $349 at December 31, 2017	13,015	15,000
Inventory and other deferred costs	23,876	21,046
Prepaid expenses and other current assets	4,293	2,605
Total current assets	86,810	80,311
Property and equipment, net	12,695	12,378
Goodwill	29,804	23,844
Other intangibles, net	13,490	8,234
Deferred tax assets	1,336	1,378
Other assets	192	178
Total assets	$ 144,327	$ 126,323
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 1,627	$ 1,543
Accrued expenses	11,006	9,770
Acquisition-related obligations	2,006	1,876
Total current liabilities	14,639	13,189
Deferred tax liabilities	2,174	2,176
Other long-term liabilities	2,167	1,188
Total liabilities	18,980	16,553
Stockholders' equity:		
Preferred stock, $0.01 par value; authorized 3,000,000 shares; none outstanding	—	—
Common stock, $0.01 par value; authorized 37,000,000 shares; issued 21,080,465 shares at September 30, 2018, and 20,745,041 shares at December 31, 2017	211	207
Additional paid-in capital	97,727	93,127
Retained earnings	41,178	28,333
Accumulated other comprehensive loss	(3,482)	(2,289)
Treasury stock, at cost; 1,498,603 shares at September 30, 2018 and 1,480,101 shares at December 31, 2017	(10,287)	(9,608)
Total stockholders' equity	125,347	109,770
Total liabilities and stockholders' equity	$ 144,327	$ 126,323

See accompanying notes to consolidated financial statements.

LeMaitre Vascular, Inc.
Consolidated Statements of Operations
(unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	(in thousands, except per share data)			
Net sales	$24,165	$24,822	$77,179	$74,714
Cost of sales	6,910	7,245	22,458	22,269
Gross profit	17,255	17,577	54,721	52,445
Sales and marketing	6,622	6,201	20,504	19,754
General and administrative	3,983	4,562	13,227	12,857
Research and development	2,037	1,761	5,850	5,053
Gain on divestiture	—	—	(5,876)	—
Total operating expenses	12,642	12,524	33,705	37,664
Income from operations	4,613	5,053	21,016	14,781
Other income (expense):				
Interest income	192	48	452	100
Foreign currency gain (loss)	(75)	(28)	(275)	(103)
Income before income taxes	4,730	5,073	21,193	14,778
Provision for income taxes	416	31	4,275	1,885
Net income	$ 4,314	$ 5,042	$16,918	$12,893
Earnings per share of common stock:				
Basic	$ 0.22	$ 0.26	$ 0.87	$ 0.69
Diluted	$ 0.21	$ 0.25	$ 0.84	$ 0.65
Weighted-average shares outstanding:				
Basic	19,503	19,124	19,369	18,589
Diluted	20,293	20,147	20,258	19,970
Cash dividends declared per common share	$ 0.070	$ 0.055	$ 0.210	$ 0.165

See accompanying notes to consolidated financial statements.

LeMaitre Vascular, Inc.
Consolidated Statements of Comprehensive Income
(unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	(in thousands)		(in thousands)	
Net income	$ 4,314	$ 5,042	$16,918	$12,893
Other comprehensive income (loss):				
Foreign currency translation adjustment, net	(308)	664	(1,204)	2,303
Unrealized gain (loss) on short-term marketable securities	33	—	11	—
Total other comprehensive income (loss)	(275)	664	(1,193)	2,303
Comprehensive income	$ 4,039	$ 5,706	$15,725	$15,196

See accompanying notes to consolidated financial statements.

LeMaitre Vascular, Inc.
Consolidated Statements of Cash Flows
(unaudited)

	For the nine months ended September 30,	
	2018	2017
	(in thousands)	
Operating activities		
Net income	$ 16,918	$12,893
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,108	2,966
Stock-based compensation	1,794	1,845
Fair value adjustment to contingent consideration obligations	(24)	—
Provision for doubtful accounts	209	152
Provision for inventory write-downs	298	272
Gain on divestitures	(5,876)	—
Foreign currency transaction (gain) loss	126	(34)
Changes in operating assets and liabilities:		
Accounts receivable	1,552	(50)
Inventory and other deferred costs	(3,061)	(1,330)
Prepaid expenses and other assets	(1,764)	(1,403)
Accounts payable and other liabilities	(345)	787
Net cash provided by operating activities	12,935	16,098
Investing activities		
Purchases of property and equipment and other assets	(1,764)	(4,780)
Purchases of short-term marketable securities	(15,948)	—
Sales of short-term marketable securities	13,000	—
Payments related to acquisitions	(11,000)	—
Proceeds from divestiture	7,400	—
Net cash used in investing activities	(8,312)	(4,780)
Financing activities		
Payments of deferred acquisition consideration	(1,171)	(427)
Proceeds from issuance of common stock	2,809	5,470
Purchase of treasury stock	(678)	(778)
Common stock cash dividend paid	(4,073)	(3,119)
Net cash provided by (used in) financing activities	(3,113)	1,146
Effect of exchange rate changes on cash and cash equivalents	(502)	762
Net increase in cash and cash equivalents	1,008	13,226
Cash and cash equivalents at beginning of period	19,096	24,288
Cash and cash equivalents at end of period	$ 20,104	$37,514
Supplemental disclosures of cash flow information (see Note 11)		

See accompanying notes to consolidated financial statements.

LeMaitre Vascular, Inc.
Notes to Consolidated Financial Statements
September 30, 2018
(unaudited)

1. Organization and Basis for Presentation

Description of Business

Unless the context requires otherwise, references to LeMaitre Vascular, we, our, and us refer to LeMaitre Vascular, Inc. and our subsidiaries. We develop, manufacture, and market medical devices and implants used primarily in the field of vascular surgery. We also derive revenues from the processing and cryopreservation of human tissues for implantation into patients. We operate in a single segment in which our principal product lines include the following: anastomotic clips, angioscopes, balloon catheters, biologic vascular grafts, biologic vascular patches, carotid shunts, powered phlebectomy devices, radiopaque marking tape, remote endarterectomy devices, synthetic vascular grafts, and valvulotomes. Our offices are located in Burlington, Massachusetts; Fox River Grove, Illinois; Vaughan, Canada; Sulzbach, Germany; Milan, Italy; Madrid, Spain; North Melbourne, Australia; Tokyo, Japan; and Shanghai, China.

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments, consisting only of normal, recurring adjustments considered necessary for a fair presentation of the results of these interim periods have been included. Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates. Our estimates and assumptions, including those related to bad debts, inventories, intangible assets, sales returns and discounts, share-based compensation, and income taxes are updated as appropriate. The results for the nine months ended September 30, 2018 are not necessarily indicative of results to be expected for the entire year. The information contained in these interim financial statements should be read in conjunction with our audited consolidated financial statements as of and for the year ended December 31, 2017, including the notes thereto, included in our Form 10-K filed with the Securities and Exchange Commission (SEC) on March 9, 2018.

Consolidation

Our consolidated financial statements include the accounts of LeMaitre Vascular and the accounts of our wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Revenue Recognition

Our revenue is derived primarily from the sale of disposable or implantable devices used during vascular surgery. We sell primarily directly to hospitals, and to a lesser extent to distributors. We also occasionally enter into consigned inventory arrangements with either hospitals or distributors on a limited basis. Following our acquisition of the RestoreFlow allograft business, we also derive revenues from human tissue cryopreservation services. These service revenues are recognized when services have been provided and the tissue has been shipped to the customer, provided all other revenue recognition criteria discussed below have been met.

On January 1, 2018 we adopted the provisions of ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. We used the modified retrospective method of adoption under which the comparative information was not restated and will continue to be reported under the standard in effect for those periods. The adoption of this standard was not material to our financial statements and there was no cumulative effect adjustment to the opening balance of retained earnings required. The core principle of Topic 606 is that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard explains that to achieve the core principle, an entity should take the following actions:

Step 1: Identify the contract with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price

Step 5: Recognize revenue when or as the entity satisfies a performance obligation

Revenue is recognized when or as a company satisfies a performance obligation by transferring a promised good or service to a customer (which is when the customer obtains control of that good or service).

We generally reference customer purchase orders to determine the existence of a contract. Orders that are not accompanied by a purchase order are confirmed with the customer either in writing or verbally. The purchase orders or similar correspondence, once accepted, identify the performance obligations as well as the transaction price, and otherwise outline the rights and obligations of each party. We allocate the transaction price of each contract among the performance obligations in accordance with the pricing of each item specified on the purchase order, which is in turn based on standalone selling prices per our published price lists. In cases where we discount products or provide certain items free of charge, we allocate the discount proportionately to all performance obligations, unless it can be demonstrated that the discount should be allocated entirely to one or more, but not all, of the performance obligations.

We recognize revenue, net of allowances for returns and discounts, fees paid to group purchasing organizations, and any sales and value added taxes required to be invoiced, which we have elected to exclude from the measurement of the transaction price as allowed by the standard, at the time of shipment (taking into consideration contractual shipping terms), or in the case of consigned inventory, when it is consumed. Shipment is the point at which control of the product and title passes to our customers, and at which LeMaitre has a present right to receive payment for the goods. Our shipping and handling activities generally occur prior to the customer taking control of the goods, but in instances where part of these services occurs after the customer gains control, we have made a policy election as allowed under the standard to account for them as activities to fulfill the promise to transfer the goods as opposed to a performance obligation.

Below is a disaggregation of our revenue by major geographic area, which is among the primary categorizations used by management in evaluating financial performance, for the periods indicated (in thousands):

	Nine months ended September 30,	
	2018	2017
Americas	$46,885	$46,510
Europe, Middle East and Africa	25,685	23,660
Asia/Pacific Rim	4,609	4,544
Total	$77,179	$74,714

Except as discussed in Note 6, we do not carry any contract assets or contract liabilities, as there are generally no unbilled amounts due from customers under contracts for which we have partially satisfied performance obligations, or amounts received from customers for which we have not satisfied performance obligations. We satisfy our performance obligations under revenue contracts within a very short time period from receipt of the orders, and payments from customers are typically received within 30 to 60 days of fulfillment of the orders, except in certain geographies such as Spain and Italy where the payment cycle is customarily longer. Accordingly, there is no significant financing component to our revenue contracts. Additionally, we have elected as a policy that incremental costs (such as commissions) incurred to obtain contracts are expensed as incurred, due to the short-term nature of the contracts.

Customers returning products may be entitled to full or partial credit based on the condition and timing of the return. To be accepted, a returned product must be unopened (if sterile), unadulterated, and undamaged, must have at least 18 months remaining prior to its expiration date, or twelve months for our hospital customers in Europe, and generally be returned within 30 days of shipment. These return policies apply to sales to both hospitals and distributors. The amount of products returned to us, either for exchange or credit, has not been material. Nevertheless, we provide for an allowance for future sales returns based on historical return experience, which requires judgment. Our cost of replacing defective products has not been material and is accounted for at the time of replacement.

Recent Accounting Pronouncements

In August 2018, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (ASU) 2018-15, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40)*, which aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The new standard is effective for us beginning January 1, 2020, with early adoption permitted. The adoption of this standard is not expected to have a material impact on our financial statements.

In August 2018, the FASB issued ASU 2018-13 Fair Value Measurement (Topic 820), which modifies the disclosure requirements for fair value measurements. The new standard is effective for us beginning January 1, 2020, with early adoption permitted. The adoption of this standard is not expected to have a material impact on our financial statements.

In February 2018, the FASB issued ASU 2018-02, *Income Statement—Reporting Other Comprehensive Income (Topic 220*), which allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act. Consequently, the amendments eliminate the stranded tax effects resulting from the Tax Cuts and Jobs Act and is expected to improve the usefulness of information reported to financial statement users. However, because the amendments only relate to the reclassification of the income tax effects of the Tax Cuts and Jobs Act, the underlying guidance that requires that the effect of a change in tax laws or rates be included in income from continuing operations is not affected. The amendments in this ASU also require certain disclosures about stranded tax effects. The new standard is effective for us beginning January 1, 2019, with early adoption permitted. The adoption of this standard is not expected to have a material impact on our financial statements.

In January 2017, the FASB issued ASU 2017-04, which, among other provisions, eliminates “step 2” from the goodwill impairment test. The annual, or interim, goodwill impairment test will be performed by comparing the fair value of a reporting unit with its carrying amount. An impairment charge should be recognized for the amount by which the carrying amount exceeds the reporting unit’s fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. The new standard is effective for us beginning January 1, 2020, with early adoption permitted. The adoption of this standard is not expected to have a material impact on our financial statements.

In February 2016, the FASB issued its new lease accounting guidance in ASU No. 2016-02, *Leases (Topic 842)*, subsequently amended by ASU 2018-11, *Leases (Topic 842): Targeted Improvements*. Under the new guidance, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date: a lease liability, which is a lessee’s obligation to make lease payments arising from a lease, measured on a discounted basis; and a right-of-use asset, which is an asset that represents the lessee’s right to use, or control the use of, a specified asset for the lease term. Lessees will no longer be provided with a source of off-balance sheet financing. The new lease guidance also simplifies the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities. The standard is effective for public companies for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years (i.e., January 1, 2019, for a calendar year entity). Early application is permitted. Entities have the option of using either a modified retrospective approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, or else a transition option (which we currently expect to use) allowing lessees to not apply the new lease standard in comparative periods but instead recognize a cumulative-effect adjustment to retained earnings as of the date of adoption. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. Lessees and lessors may not apply a full retrospective transition approach. Our assessment of the impact of adopting this standard is underway, including cataloging all of our leases, performing a preliminary analysis of the amounts of lease liabilities and right-of-use assets to be recorded and reviewing potential changes to our disclosures on leases. Based on this preliminary assessment we do not expect the adoption of this standard to have a significant impact on our consolidated statement of operations. However, we expect that the recognition of right-of-use assets and corresponding lease liabilities will have a significant impact on our consolidated balance sheet.

2. Income Tax Expense

As part of the process of preparing our consolidated financial statements we are required to determine our income taxes in each of the jurisdictions in which we operate. This process involves estimating our actual current tax expense together with assessing temporary differences resulting from recognition of items for income tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included within our consolidated balance sheet. We must then assess the likelihood that our deferred tax assets will be recovered from taxable income during the carryback period or in the future; and to the extent we believe that recovery is not more likely than not, we must establish a valuation allowance. To the extent we establish a valuation allowance or increase this allowance in a period, we must reflect this increase as an expense within the tax provision in the statement of operations. We do not provide for income taxes on undistributed earnings of foreign subsidiaries, as our intention is to permanently reinvest these earnings.

The Tax Cut and Jobs Act of 2017 (the Tax Act) changed many aspects of U.S. corporate income taxation and included a reduction of the corporate income tax rate from 35% to 21%, implementation of a territorial tax system, and imposition of a tax on deemed repatriated earnings of foreign subsidiaries (the Transition Tax). We estimated the impact of the Tax Act in our financial statements as of December 31, 2017. We recorded $0.6 million in tax expense related to the Transition Tax and recognized $1.0 million in tax benefit related to the remeasurement of deferred taxes to the 21% tax rate. We timely filed our 2017 U.S. tax return with immaterial adjustments to the estimated tax provision recorded as of December 31, 2017.

We recognize, measure, present and disclose in our financial statements any uncertain tax positions that we have taken, or expect to take on a tax return. We operate in multiple taxing jurisdictions, both within and without the United States, and may be subject to audits from various tax authorities. Management's judgment is required in determining our provision for income taxes, our deferred tax assets and liabilities, liabilities for uncertain tax positions, and any valuation allowance recorded against our net deferred tax assets. We will monitor the realizability of our deferred tax assets and adjust the valuation allowance accordingly.

Our policy is to classify interest and penalties related to unrecognized tax benefits as income tax expense.
Our 2018 income tax expense varies from the statutory rate mainly due to the generation of federal and state tax credits, permanent items, and different statutory rates from our foreign subsidiaries. Additionally, in the second quarter of 2018, we recognized certain discrete items primarily related to the exercise of stock options. Our 2017 income tax expense varied from the statutory rate mainly due to federal and state tax credits, permanent items, different statutory rates from our foreign entities, and discrete stock option exercises.

We have reviewed the tax positions taken, or to be taken, in our tax returns for all tax years currently open to examination by a taxing authority. As of September 30, 2018, the gross amount of unrecognized tax benefits exclusive of interest and penalties was $584,000. We remain subject to examination until the statute of limitations expires for each respective tax jurisdiction. The statute of limitations will be open with respect to these tax positions until 2025. A reconciliation of beginning and ending amount of our unrecognized tax benefits is as follows:

	Nine months ended September 30, 2018
	(in thousands)
Unrecognized tax benefits as of December 31, 2017	$ 525
Additions for tax positions of current year	61
Additions for tax positions of prior years	(2)
Reductions for settlements with taxing authorities	—
Reductions for lapses of the applicable statutes of limitations	—
Unrecognized tax benefits as of September 30,	$ 584

As of September 30, 2018, a summary of the tax years that remain subject to examination in our taxing jurisdictions is as follows:

United States	2015 and forward
Foreign	2011 and forward

3. Inventories and Other Deferred Costs

Inventories and other deferred costs consist of the following:

	September 30, 2018	December 31, 2017
	(in thousands)	
Raw materials	$ 3,830	$ 3,200
Work-in-process	3,907	3,745
Finished products	14,714	12,278
Other deferred costs	1,425	1,823
Total inventory and other deferred costs	$ 23,876	$ 21,046

We had inventory on consignment of $1.4 million at both September 30, 2018 and December 31, 2017.

Other deferred costs relate to our RestoreFlow allograft offering and include costs incurred for the preservation of human vascular tissues available for shipment, tissues currently in active processing, and tissues held in quarantine pending release to implantable status. By federal law, human tissues cannot be bought or sold. Therefore, the vascular tissues we preserve are not held as inventory, and the costs we incur to procure and process them are instead accumulated and deferred. These costs include fixed and

variable overhead costs associated with the cryopreservation process, including primarily direct labor costs, tissue recovery fees, inbound freight charges, indirect materials and facilities costs. General and administrative expenses and selling expenses associated with the provision of these services are expensed as incurred.

4. Acquisitions and Divestitures

Acquisitions are accounted for using the acquisition method, and the acquired companies' results have been included in the accompanying consolidated financial statements from their respective dates of acquisition. In each case for the acquisitions disclosed below, pro forma information assuming the acquisition had occurred at the beginning of the earliest period presented is not included, as the impact is immaterial.

Our acquisitions have historically been made at prices above the fair value of the acquired identifiable assets, resulting in goodwill, due to expectations of synergies that will be realized by combining businesses. These synergies include the use of our existing sales channel to expand sales of the acquired businesses' products and services, consolidation of manufacturing facilities, and the leveraging of our existing administrative infrastructure. The fair market valuations associated with these transactions fall within Level 3 of the fair value hierarchy, due to the use of significant unobservable inputs to determine fair value. The fair value measurements were calculated using unobservable inputs, primarily using the income approach, specifically the discounted cash flow method. The amount and timing of future cash flows within our analysis was based on our due diligence models, most recent operational budgets, long range strategic plans and other estimates. Our assumptions associated with these Level 3 valuations are discussed below and in Note 12 to these financial statements.

Applied Medical

On September 20, 2018, we entered into an agreement to acquire the assets of the clot management device business of Applied Medical Resource Corporation (Applied). The clot management business consists of several embolectomy and thrombectomy catheter product lines which are sold worldwide (approximately 60% in the U.S. and 40% outside the U.S.). On the same date, we entered into a transition services agreement under which Applied will manufacture and supply us with inventory for a period of twelve months, unless extended in writing by both parties.

The purchase price for the acquired assets, which included inventory, machinery and equipment, intellectual property, permits and approvals, data and records, and customer and supplier information, was $14.2 million. Of this amount, $11 million was paid at closing, with another $2 million due 12 months following the closing date, and the final $1.2 million due 24 months following the closing date. The deferred amounts totaling $3.2 million were recorded at an acquisition-date fair value of $3.043 million using a discount rate of 3.75% to reflect the time value of money between the acquisition date and the payment due dates.

The following table summarizes the preliminary purchase price allocation:

	Allocated Fair Value (in thousands)
Inventory	$ 666
Equipment and supplies	600
Intangible assets	6,527
Goodwill	6,250
Purchase price	$ 14,043

The goodwill results from expected synergies of combining the acquired products and customer information to our existing operations, and is deductible for tax purposes over 15 years.

The following table reflects the preliminary allocation of purchase consideration to the acquired intangible assets and related estimated useful lives:

	Allocated Fair Value (in thousands)	Weighted Average Useful Life
Customer relationships	$ 4,475	16.0 years
Intellectual property	1,316	7.0 years
Non-compete agreement	530	5.0 years
Tradenames	206	7.0 years
Total intangible assets	$ 6,527	

The weighted-average amortization period of the acquired intangible assets was 13.0 years.

RestoreFlow Allografts

On November 10, 2016, we entered into an agreement to acquire the assets of Restore Flow Allografts, LLC, a provider of human vascular tissue processing and cryopreservation services, for an initial purchase price of $12 million, with three additional payments of up to $2 million each ($6 million in total), depending upon the satisfaction of certain contingencies. One payment of $2 million was due not later than 15 days following the expiration of the 18 month period following the closing date, subject to reductions as specified in the agreement for each calendar month that certain retained employees were not employed by us due to resignation without good reason, or termination for cause, both as defined in the agreement. The portion of this payment that was to be paid to retained employees and that was contingent on their continued employment, estimated at $0.9 million, was being accounted for as post-combination compensation expense rather than purchase consideration. The remaining $1.1 million that was payable to non-employee investors but that was also contingent on the continued employment of the retained employees had been accounted for as contingent purchase consideration, at an acquisition-date fair value of $0.9 million. In May 2018 we paid this $2 million liability as the contingency was met.

There are also two potential earn-out payments under the agreement. The first earn-out was to be calculated at 50% of the amount by which net revenue in the first 12 months following the closing exceeded $6 million, with such payout not to exceed $2 million. This milestone was not met and accordingly no amount was paid out. The second earn-out is calculated at 50% of the amount by which net revenue in the second 12 months following the closing exceeds $9 million, with such payout not to exceed $2 million. These earn-outs were accounted for as contingent consideration, at an acquisition-date fair value of $0.1 million for the two earn-outs combined. This valuation was derived by utilizing an option pricing model technique incorporating, among other inputs, management's forecasts of future revenues, the expected volatility of revenues, and an estimated weighted average cost of capital of 14.1% to account for the risk of achievement of the revenue forecasts as well as the time value of money between acquisition date and the payment date.

The RestoreFlow business derives revenue from human tissue preservation services, in particular the processing and cryopreservation of veins and arteries. By federal law, human tissues cannot be bought or sold. Therefore, the tissues we obtain and preserve are not held as inventory, and the costs we incur to procure and process vascular tissues are instead accumulated and deferred. Revenues are recognized for the provision of cryopreservation services rather than product sales.

The acquired assets included intellectual property, permits and approvals, data and records, equipment and furnishings, accounts receivable, inventory, literature, and customer and supplier information. We also assumed certain accounts payable. We accounted for the acquisition as a business combination.

The following table summarizes the final purchase price allocation:

	Allocated Fair Value (in thousands)
Accounts receivable	$ 394
Deferred cryopreservation costs	2,583
Equipment and supplies	125
Accounts payable	(286)
Intangible assets	4,544
Goodwill	5,599
Purchase price	$ 12,959

The goodwill is deductible for tax purposes over 15 years.

The following table reflects the allocation of purchase consideration to the acquired intangible assets and related estimated useful lives:

	Allocated Fair Value (in thousands)	Weighted Average Useful Life
Non-compete agreements	$ 180	5.0 years
Tradename	271	9.0 years
Procurement contracts	617	9.0 years
Technology	2,793	10.5 years
Customer relationships	683	12.5 years
Total intangible assets	$ 4,544	

The weighted-average amortization period of the acquired intangible assets was 10.3 years.

ProCol Biologic Graft

On March 18, 2016, we acquired the ProCol biologic vascular graft (“ProCol”) business for $2.7 million from Hancock Jaffe Laboratories, Inc. (HJL) and CryoLife, Inc. (CRY). HJL was the owner and manufacturer of ProCol and CRY was the exclusive distributor of the ProCol graft. CRY also owned an option to purchase the ProCol business, which we acquired from CRY. We bought finished goods inventory and other ProCol related assets from CRY for $2.0 million, which was paid in full at closing. We bought other ProCol assets from HJL for $0.7 million, 50% of which was paid at closing, with the remainder paid at subsequent dates as specified in the agreement. Additional consideration is payable to HJL for a three-year period following the closing, calculated at 10% of ProCol revenues. This additional consideration was initially valued at $0.3 million and is being re-measured each reporting period until the payment requirement ends, with any adjustments reported in income from operations. To date since the acquisition there have been no material adjustments.

Assets acquired included inventory, intellectual property and a related license, the ProCol trade name, customer lists, non-compete agreements and certain equipment and supplies. We did not assume any liabilities. We accounted for the acquisition as a business combination. The purchase accounting is complete.

The following table summarizes the purchase price allocation as of the acquisition date:

	Allocated Fair Value (in thousands)
Inventory	$ 2,080
Manufacturing equipment and supplies	25
Intangible assets	620
Goodwill	318
Purchase price	$ 3,043

The goodwill is deductible for tax purposes over 15 years.

The following table reflects the allocation of purchase consideration to the acquired intangible assets and related estimated useful lives:

	Allocated Fair Value (in thousands)	Weighted Average Useful Life
Non-compete agreement	$ 84	5.0 years
Tradename	109	9.5 years
Intellectual property	277	9.0 years
Customer relationships	150	9.0 years
Total intangible assets	$ 620	

The weighted-average amortization period of the acquired intangible assets was 8.6 years.

Reddick Divestiture

On April 5, 2018, we entered into an asset purchase agreement with Specialty Surgical Instrumentation, Inc. to sell the inventory, intellectual property and other assets associated exclusively with our Reddick cholangiogram catheter and Reddick Saye-Screw product lines for $7.4 million. In connection with this divestiture we at the same time entered into a transition services agreement under which we will continue to manufacture and supply these products to the buyer for a period of up to two years unless extended by both parties, as well as a balloon supply agreement under which we will supply latex balloons, a component of the cholangiogram catheters, to the buyer for a period of up to six years unless extended by both parties. During the three months ending June 30, 2018 we recorded a gain in connection with these agreements of $5.9 million. The following table summarizes the allocation of consideration received:

	Allocated Fair Value (in thousands)
Inventory	$ 308
Deferred revenue—transition services agreement	1,081
Goodwill	135
Gain on divestiture	5,876
Consideration received	$ 7,400

Under the terms of the transition services agreement, we have agreed to manufacture the Reddick products for the buyer at prices at or in some cases below our cost. We allocated a portion of the consideration received to this agreement to reflect it at fair value and recorded it as deferred revenue. As the products are sold to the buyer, we amortize a portion of the deferred revenue to adjust the gross margin on the sale to fair value on a specific identification basis. Additionally, as the Reddick product lines that were divested constituted a business, we allocated a portion of our goodwill to this divestiture based on the fair value of the business sold in relation to the fair value of the business that will be retained.

Subsequent Event

On October 22, 2018, we entered into an agreement to acquire the assets of Cardial, a French joint stock company, whose business consists of the manufacture and sale of knitted and woven vascular grafts, valvulotomes and surgical glue, for a purchase price of €1.2 million. In connection with this asset purchase, we simultaneously entered into an agreement to purchase the land and building in which Cardial is located, for €0.8 million, bringing the total price paid for the business to €2.0 million. During the three months ending December 31, 2018 we expect to record a gain of approximately €1.6 million in connection with these agreements resulting from the excess value of the assets acquired over the purchase price of the transaction, subject to finalization of the purchase accounting for the transactions.

5. Goodwill and Other Intangibles

Goodwill consists of the following as of September 30, 2018:

	(in thousands)
Balance at December 31, 2017	$ 23,844
Additions for acquisitions	6,250
Divestiture adjustment	(135)
Effects of currency exchange	(155)
Balance at September 30, 2018	$ 29,804

Other intangible assets consist of the following:

	September 30, 2018			December 31, 2017		
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
	(in thousands)					
Product technology	$10,143	$ 5,483	$ 4,660	$10,267	$ 4,908	$ 5,359
Trademarks and licenses	3,465	1,530	1,935	1,948	1,468	480
Customer relationships	9,787	3,636	6,151	5,383	3,299	2,084
Other intangible assets	2,096	1,352	744	1,575	1,264	311
Total identifiable intangible assets	$25,491	$ 12,001	$13,490	$19,173	$ 10,939	$ 8,234

These intangible assets are being amortized over their useful lives ranging from 3 to 16 years. The weighted-average amortization period for these intangibles as of September 30, 2018 is 9.4 years. Amortization expense is included in general and administrative expense and was as follows for the periods indicated.

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	(in thousands)		(in thousands)	
Amortization expense	$380	$443	$1,213	$1,353

We estimate that amortization expense for the remainder of 2018 and for each of the five succeeding fiscal years will be as follows:

	Year ended December 31,					
	2018	2019	2020	2021	2022	2023
	(in thousands)					
Amortization expense	$521	$1,972	$1,721	$1,523	$1,316	$1,257

6. Accrued Expenses and Other Long-term Liabilities

Accrued expenses consist of the following:

	September 30, 2018	December 31, 2017
	(in thousands)	
Compensation and related taxes	$ 6,133	$ 6,494
Income and other taxes	139	703
Professional fees	182	35
Deferred revenue	752	—
Other	3,800	2,538
Total	$ 11,006	$ 9,770

As discussed in Note 4 above, deferred revenue relates to our divestiture of the Reddick product line and an associated transition services agreement that we entered into contemporaneously with the divestiture, under which we agreed to manufacture and sell product to the buyer at prices at or below our cost. We allocated a portion of the consideration received from the divestiture to this transition services agreement to reflect it at fair value and recorded it as deferred revenue. As the products are sold to the buyer, which we expect will occur over approximately the next nine to twelve months, we amortize a portion of the deferred revenue to adjust the gross margin on the sale to fair value on a specific identification basis. The following table summarizes the changes in the deferred revenue balance during the nine months ended September 30, 2018:

	September 30, 2018
	(in thousands)
Beginning contract liability balance	$ —
Deferred revenue recorded	1,081
Revenue recognized upon satisfaction of performance obligations in the period	(329)
Ending balance	$ 752

Other long-term liabilities consist of the following:

	September 30, 2018	December 31, 2017
	(in thousands)	
Aquisition-related liabilities	$ 1,115	$ 127
Deferred rent	539	561
Income taxes	318	321
Other	195	179
Total	$ 2,167	$ 1,188

7. Segment and Enterprise-Wide Disclosures

Under Accounting Standards Codification Topic 280, *Segment Reporting*, operating segments are defined as components of an enterprise for which separate, discrete financial information is available and evaluated by the chief operating decision-maker in making decisions on how to allocate resources and assess performance. We view our operations and manage our business as one operating segment. No discrete operating information is prepared by us except for sales by product line and by legal entity for local reporting purposes.

Most of our revenues are generated in the United States, Germany, and other European countries as well as in Canada, Japan and China. Substantially all of our assets are located in the United States. Net sales to unaffiliated customers by country were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	(in thousands)		(in thousands)	
United States	$13,937	$14,506	$43,620	$43,485
Germany	3,058	2,885	9,421	8,624
Other countries	7,170	7,431	24,138	22,605
Net Sales	$24,165	$24,822	$77,179	$74,714

8. Share-based Compensation

Our Third Amended and Restated 2006 Stock Option and Incentive Plan allows for granting of incentive stock options, non-qualified stock options, stock appreciation rights, restricted stock units, unrestricted stock awards and deferred stock awards to our officers, employees, directors and consultants. The components of share-based compensation expense were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	(in thousands)		(in thousands)	
Stock option awards	$331	$723	$1,111	$1,347
Restricted stock units	206	164	683	498
Total share-based compensation	$537	$887	$1,794	$1,845

Stock-based compensation is included in our statements of operations as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	(in thousands)		(in thousands)	
Cost of sales	$ 61	$ 46	$ 209	$ 141
Sales and marketing	155	78	429	309
General and administrative	266	718	967	1,261
Research and development	55	45	189	134
Total stock-based compensation	$537	$887	$1,794	$1,845

We did not grant any options during the nine months ended September 30, 2018. Option grants during the nine months ended September 30, 2017 were not material. Awards of restricted and unrestricted stock during the nine month periods ended September 30, 2018 and 2017 were not material.

We issued approximately 329,000 and 702,000 shares of common stock following the exercise or vesting of underlying stock options or restricted stock units in the nine months ended September 30, 2018 and 2017, respectively.

9. Net Income per Share

The computation of basic and diluted net income per share was as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	(in thousands, except per share data)		(in thousands, except per share data)	
Basic:				
Net income available for common stockholders	$ 4,314	$ 5,042	$16,918	$12,893
Weighted average shares outstanding	19,503	19,124	19,369	18,589
Basic earnings per share	$ 0.22	$ 0.26	$ 0.87	$ 0.69
Diluted:				
Net income available for common stockholders	$ 4,314	$ 5,042	$16,918	$12,893
Weighted-average shares outstanding	19,503	19,124	19,369	18,589
Common stock equivalents, if dilutive	790	1,023	889	1,381
Shares used in computing diluted earnings per common share	20,293	20,147	20,258	19,970
Diluted earnings per share	$ 0.21	$ 0.25	$ 0.84	$ 0.65
Shares excluded in computing diluted earnings per share as those shares would be anti-dilutive	212	—	213	1

10. Stockholders' Equity

Share Repurchase Program

On July 25, 2017, our Board of Directors approved a stock repurchase program under which the Company was authorized to repurchase up to $7.5 million of its common stock through transactions on the open market, in privately negotiated purchases or otherwise. This program expired on July 25, 2018. We did not make any share repurchases under this program.

Dividends

In February 2011, our Board of Directors approved a policy for the payment of quarterly cash dividends on our common stock. Future declarations of quarterly dividends and the establishment of future record and payment dates are subject to approval by our Board of Directors on a quarterly basis. The dividend activity for the periods presented is as follows:

Record Date	Payment Date	Per Share Amount	Dividend Payment (in thousands)
Fiscal Year 2018			
March 22, 2018	April 5, 2018	$0.070	$1,351
May 22, 2018	June 7, 2018	$0.070	$1,353
August 22, 2018	September 6, 2018	$0.070	$1,369
Fiscal Year 2017			
March 22, 2017	April 6, 2017	$0.055	$1,029
May 24, 2017	June 8, 2017	$0.055	$1,036
August 23, 2017	September 7, 2017	$0.055	$1,055
November 22, 2017	December 7, 2017	$0.055	$1,060

On October 4, 2018 our Board of Directors approved a quarterly cash dividend on our common stock of $0.07 per share payable on December 6, 2018 to stockholders of record at the close of business on November 20, 2018, which will total approximately $1.4 million.

11. Supplemental Cash Flow Information

	Nine months ended September 30,	
	2018	2017
	(in thousands)	
Cash paid for income taxes, net	$5,086	$2,953
Common stock repurchased for RSU tax witholdings	$ 678	$ 778

12. Fair Value Measurements

The fair value accounting guidance requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

- Level 1—Quoted prices in active markets for identical assets or liabilities.
- Level 2—Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

Level 1 assets being measured at fair value on a recurring basis as of September 30, 2018 included our short-term investment mutual fund account.

We had no Level 2 assets being measured at fair value on a recurring basis as of September 30, 2018.

As discussed in Note 4, several of our acquisition-related assets and liabilities have been measured using Level 3 techniques. During 2016, we recorded contingent liabilities associated with our acquisitions of the RestoreFlow allograft and ProCol biologic graft businesses. In the case of the Restore Flow allograft acquisition, the agreement included the potential for us to pay up to $5.1 million of additional consideration, with $1.1 million contingent on the continued employment by LeMaitre of certain retained employees, and another $4.0 million contingent on the achievement of specified levels of revenues in the first 12 and 24 months following the acquisition date. This additional consideration was initially valued in total at $1.0 million and is being re-measured each reporting period until the payment requirement ends, with any adjustments reported in income from operations. The amount attributable to the first 12 months of revenue following the acquisition date was not paid as the associated revenue metric was not achieved. The amount that was contingent on the continued employment by LeMaitre of certain retained employees was paid in May 2018 as the contingency was met.

In the case of ProCol, additional consideration is payable to the former shareholders for a three-year period following the closing, calculated at 10% of ProCol revenues. This additional consideration was initially valued at $0.3 million and is being re-measured each reporting period until the payment requirement ends, with any adjustments reported in income from operations. These arrangements are described more fully in Note 4.

The following table provides a rollforward of the fair value of these liabilities, as determined by Level 3 unobservable inputs including management’s forecast of future revenues for these acquired businesses, as well as, in the case of the Restore Flow allograft acquisition, management’s estimate of the likelihood of continued employment of certain retained employees.

	Nine months ended September 30,	
	2018	2017
	(in thousands)	
Beginning balance	$ 1,301	$1,320
Additions	—	—
Payments	(1,171)	(90)
Change in fair value included in earnings	(24)	72
Ending balance	$ 106	$1,302

13. Accumulated Other Comprehensive Loss

	Nine months ended September 30,	
	2018	2017
	(in thousands)	
Beginning balance	$(2,289)	$(4,583)
Other comprehensive income (loss) before reclassifications	(1,193)	2,303
Amounts reclassified from accumulated other comprehensive loss	—	—
Ending Balance	$(3,482)	$(2,280)

Changes to our accumulated other comprehensive loss consisted primarily of foreign currency translation for the nine months ended September 30, 2018 and 2017.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This Quarterly Report on Form 10-Q contains forward-looking statements (within the meaning of the U.S. Private Securities Litigation Reform Act of 1995) that involve substantial risks and uncertainties. All statements, other than statements of historical facts, included in this report regarding our strategy, future operations, future financial position, future net sales, projected costs, projected expenses, prospects and plans and objectives of management are forward-looking statements. The words "anticipates," "believes," "estimates," "expects," "intends," "may," "plans," "projects," "will," "would," and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. We have based these forward-looking statements on our current expectations and projections about future events. Although we believe that the expectations underlying any of our forward-looking statements are reasonable, these expectations may prove to be incorrect, and all of these statements are subject to risks and uncertainties. Should one or more of these risks and uncertainties materialize, or should underlying assumptions, projections, or expectations prove incorrect, our actual results, performance, or financial condition may vary materially and adversely from those anticipated, estimated, or expected. These risks and uncertainties include, but are not limited to: the risk of significant fluctuations in our quarterly and annual results due to numerous factors; the risk that we may not be able to maintain our recent levels of profitability; the risk that the Company may not realize the anticipated benefits of its strategic activities; the risk that assumptions about the market for the Company's products and the productivity of the Company's direct sales force and distributors may not be correct; risks related to the integration of acquisition targets; risks related to product demand and market acceptance of the Company's products and pricing; the risk that a recall of our products could result in significant costs or negative publicity; the risk that the Company is not successful in transitioning to a direct-selling model in new territories.

Forward-looking statements reflect management's analysis as of the date of this quarterly report. Further information on potential risk factors that could affect our business and financial results is detailed in Part II, Item 1A, "Risk Factors" in this Quarterly Report on Form 10-Q and in our other filings with the Securities and Exchange Commission, including under the section headed "Risk Factors" in our most recent Annual Report on Form 10-K. Given these risks, uncertainties and other factors, you should not place undue reliance on these forward-looking statements. The following discussion and analysis should be read in conjunction with our consolidated financial statements and the related notes included in this report and our other SEC filings, including our audited consolidated financial statements and the related notes contained in our Annual Report on Form 10-K for the year ended December 31, 2017, as filed with the SEC on March 9, 2018. We do not assume any obligation to update any forward-looking statements, whether as a result of new information, future events, or otherwise, except as required by law. Unless the context indicates otherwise, references to "LeMaitre Vascular," "we," "our," and "us" in this Quarterly Report on Form 10-Q refer to LeMaitre Vascular, Inc. and its subsidiaries.

LeMaitre, AnastoClip, Omniflow, ProCol, RestoreFlow and XenoSure are registered trademarks of LeMaitre Vascular or one of its subsidiaries. This Quarterly Report on Form 10-Q also includes the registered and unregistered trademarks of other persons, which are the property of their respective owners.

Overview

We are a medical device company that develops, manufactures, and markets medical devices and implants for the treatment of peripheral vascular disease. We also provide processing and cryopreservation services of human tissue for implantation into patients. Our principal product offerings are sold throughout the world, primarily in North America, Europe and, to a lesser extent, Asia and the Pacific Rim. We estimate that the annual worldwide market for all peripheral vascular devices exceeds $5 billion, within which our core product lines address roughly $900 million. We have grown our business by using a three-pronged strategy: 1) pursuing a focused call point, 2) competing for sales of low-rivalry niche products, and 3) expanding our worldwide direct sales force while acquiring and developing complementary vascular devices. We have used acquisitions as a primary means of further accessing the larger peripheral vascular device market, and we expect to continue to pursue this strategy in the future. Additionally, we have continued our efforts to expand our vascular device offerings through research and development. We currently manufacture most of our product lines at our Burlington, Massachusetts headquarters.

Our products and services are used primarily by vascular surgeons who treat peripheral vascular disease through both open surgical methods and endovascular techniques. In contrast to interventional cardiologists and interventional radiologists, neither of whom are certified to perform open surgical procedures, vascular surgeons can perform both open surgical and minimally invasive endovascular procedures, and are therefore uniquely positioned to provide a wider range of treatment options to patients.

Our principal product lines include the following: anastomotic clips, angioscopes, intravascular catheters, biologic vascular grafts, biologic vascular patches, carotid shunts, powered phlebectomy devices, radiopaque marking tape, remote endarterectomy devices, synthetic vascular grafts, and valvulotomes. We also provide services related to the processing and cryopreservation of human vascular tissue in connection with our RestoreFlow allografts business.

Our biologic devices, which include vascular patches and vascular grafts (including allografts, ovine grafts and bovine grafts), have become a larger proportion of our total sales over time, and in the current quarter represented 36% of worldwide sales. We generally view the biologic device segment favorably, as we believe it contains differentiated and growing product segments.

To assist us in evaluating our business strategies, we regularly monitor long-term technology trends in the peripheral vascular device market. Additionally, we consider the information obtained from discussions with the medical community in connection with the demand for our products, including potential new product launches. We also use this information to help determine our competitive position in the peripheral vascular device market and our manufacturing capacity requirements.

Our business opportunities include the following:

- the long-term growth of our direct sales force in North America, Europe, Asia and the Pacific Rim;
- the addition of complementary products through acquisitions;
- the updating of existing products and introduction of new products through research and development;
- the introduction of our products in new territories upon receipt of regulatory approvals or registrations in these territories; and
- the consolidation of, and automation of, product manufacturing at our facilities in our Burlington, Massachusetts corporate headquarters.

We sell our products and services primarily through a direct sales force. As of September 30, 2018 our sales force was comprised of 106 sales representatives in North America, Europe, Japan, China and Australia. We also sell our products in other countries through distributors. Our worldwide headquarters is located in Burlington, Massachusetts. Our European operations are headquartered in Sulzbach, Germany. We also have sales offices located in Tokyo, Japan; Vaughan, Canada; Madrid, Spain; Milan, Italy; Shanghai, China; and North Melbourne, Australia, and we have a processing facility in Fox River Grove, Illinois and a manufacturing facility in North Melbourne, Australia. During the nine months ended September 30, 2018 and 2017, approximately 95% and 93%, respectively, of our net sales were generated in territories in which we employ direct sales representatives.

Historically we have experienced success in lower-rivalry niche product segments, for example the markets for biologic vascular patches and valvulotome devices. In the biologic vascular patch market the number of competitors has historically been limited, and we believe that we have been able to increase market share and increase selling prices, mainly due to the strength of our sales force. Recently, we have faced increased competition in this segment, which could inhibit our ability to increase market share or to implement selling price increases. In the valvulotome market, our highly differentiated devices have allowed us to increase our selling prices while maintaining our unit market share. In contrast, we have experienced less success in highly competitive markets such as synthetic grafts, where we face stronger competition from larger companies with greater resources and lower production costs. While we believe that these challenging market dynamics can be mitigated by our relationships with vascular surgeons, there can be no assurance that we will be successful in these highly competitive markets.

In recent years we have also experienced success in international markets, such as Europe, where we sometimes offer comparatively lower average selling prices. If we continue to seek growth opportunities outside of North America, we may experience downward pressure on our gross margin.

Because we believe that direct-to-hospital sales engender closer customer relationships, and allow for higher selling prices and gross margins, we periodically enter into transactions with our distributors to transition their sales of our medical devices to our direct sales organization:

- In December 2015, we signed a master distribution agreement with Meheco Yonstron Pharmaceutical Co. Ltd. (Meheco), a Chinese distribution and logistics company, and began selling our Chinese market products to Meheco in 2016. Meheco then sold our products to multiple sub-distributors who then sold to Chinese hospitals. This agreement expired in December 2017, and we are currently in the process of signing distribution agreements with sub-distributors and have begun selling our products directly to sub-distributors in China. We purchased $120,000 of our products back from Meheco in the three months ended September 30, 2018, which resulted in a corresponding revenue reversal.
- In March 2018 we terminated our master distribution agreement with Sinopharm United Medical Device Co., Ltd. under which we sold our powered phlebectomy device and related disposable devices to them for distribution in China. In April 2018 we began selling these products directly to sub-distributors in China.

We anticipate that the expansion of our sales organization in China will result in increased sales, marketing and regulatory expenses during 2018. As of September 30, 2018 we had eight employees in China.

Our strategy for growing our business includes the acquisition of complementary product lines and companies and occasionally the discontinuance or divestiture of products or activities that are no longer complementary:

- In March 2016, we acquired substantially all of the assets as well as the production and distribution rights of the ProCol business from Hancock Jaffe Laboratories and CryoLife, Inc. for $2.7 million plus 10% of net sales for three years following the closing. ProCol is a biologic vascular graft used for dialysis access and is approved for sale in the United States.
- In November 2016, we acquired substantially all of the assets related to the peripheral vascular allograft operations of Restore Flow Allografts, LLC for $12.0 million plus additional consideration depending upon the satisfaction of certain contingencies.
- In April 2018, we sold our Reddick cholangiogram catheter and Reddick Saye-Screw product lines to Specialty Surgical Instrumentation, Inc. for $7.4 million.
- In September 2018, we acquired substantially all of the assets related to the clot management catheter business from Applied Medical Resources Corporation for $14.2 million.
- In October 2018, we acquired the business assets of Cardial from Becton, Dickinson and Company for €2.0 million. Cardial's business consists of the manufacture and sale of knitted and woven vascular grafts, valvulotomes and surgical glue.

In addition to relying upon acquisitions to grow our business, we also rely on our product development efforts to bring differentiated and next-generation products to market. These efforts have led to the following recent product developments:

- In October 2016, we launched additional sizes of our XenoSure patch.
- In December 2016, we launched the 7.0mm diameter size Omniflow graft.
- In October 2017, we launched XenoSure biologic pledgets.
- In April 2018, we expanded the indications for our Anastoclip GC in the United States to include dura tissue repair.

In addition to our sales growth strategies, we have also executed several operational initiatives designed to consolidate and streamline manufacturing within our Burlington, Massachusetts facilities. We expect that these plant consolidations will result in improved production control as well as reduced costs over the long-term. Our most recent manufacturing transitions included:

- In May 2015, we entered into an asset purchase agreement with UreSil, LLC to acquire the production and distribution rights of UreSil's Tru-Incise valvulotome for sales outside the United States, and at the same time we initiated a project to begin manufacturing this product in our Burlington facility. The manufacturing transition was completed in 2017. In May 2018 our right to use the Tru-Incise name expired, and we re-branded this product as EZE-SIT.
- In March 2016, we initiated a project to transfer the manufacturing of our ProCol biologic product line to our Burlington facility. This transition was completed in May 2018.
- In 2017 we completed the renovation of a portion of our manufacturing facility in Burlington, in which we expect most of our biologic offerings, including the XenoSure patch as well as certain biologic grafts, to be produced or processed. The cost of the facility renovation was approximately $3.0 million.
- In September 2018, we acquired the clot management business assets from Applied Medical Resources. We have initiated a project to transfer the manufacturing of the acquired devices to our Burlington facility. We expect this transition to be completed in 2019.

Our execution of these business opportunities may affect the comparability of our financial results from period to period and may cause substantial fluctuations from period to period as we incur related process engineering and other charges, as well as longer term impacts to revenues and operating expenditures.

For the nine months ended September 30, 2018, approximately 43% of our sales were to customers located outside the United States. Fluctuations in the rate of exchange between the U.S. dollar and foreign currencies, primarily the Euro, affect our financial results. Selling, marketing, and administrative costs related to these sales are largely denominated in the local currency, thereby partially mitigating our exposure to exchange rate fluctuations. However, as most of our foreign sales are denominated in local currency, if there is an increase in the rate at which a foreign currency is exchanged for U.S. dollars, it will require more of the foreign currency to equal a specified amount of U.S. dollars. In such cases we will record less revenue in U.S. dollars than we did prior to the rate increase. For the nine months ended September 30, 2018, the effects of changes in foreign exchange rates increased our reported sales by approximately $1.8 million as compared to the rates in effect in the year-earlier period.

Net Sales and Expense Components

The following is a description of the primary components of our net sales and expenses:

Net sales. We derive our net sales from the sale of our products and services, less discounts and returns. Net sales include the shipping and handling fees paid for by our customers. Most of our sales are generated by our direct sales force and are shipped and billed to hospitals or clinics throughout the world. In countries where we do not have a direct sales force, sales are primarily to distributors, who in turn sell to hospitals and clinics. In certain cases our products are held on consignment at a hospital or clinic prior to purchase; in those instances we recognize revenue at the time the product is used in surgery rather than at shipment.

Cost of sales. We manufacture the majority of the products that we sell. Our cost of sales consists primarily of manufacturing personnel, raw materials and components, depreciation of property and equipment, and other allocated manufacturing overhead, as well as freight expense we pay to ship products to customers.

Sales and marketing. Our sales and marketing expense consists primarily of salaries, commissions, stock based compensation, travel and entertainment, attendance at vascular congresses, training programs, advertising and product promotions, direct mail and other marketing costs.

General and administrative. General and administrative expense consists primarily of executive, finance and human resource salaries, stock based compensation, legal and accounting fees, information technology expense, intangible asset amortization expense and insurance expense.

Research and development. Research and development expense includes costs associated with the design, development, testing, enhancement and regulatory approval of our products, principally salaries, laboratory testing and supply costs. It also includes costs associated with design and execution of clinical studies, regulatory submissions and costs to register, maintain, and defend our intellectual property, and royalty payments associated with licensed and acquired intellectual property.

Other income (expense). Other income (expense) primarily includes interest income and expense, foreign currency gains (losses), and other miscellaneous gains (losses).

Income tax expense. We are subject to federal and state income taxes for earnings generated in the United States, which include operating losses in certain foreign jurisdictions for certain years depending on tax elections made, and foreign taxes on earnings of our wholly-owned foreign subsidiaries. Our consolidated tax expense is affected by the mix of our taxable income (loss) in the United States and foreign subsidiaries, permanent items, discrete items, unrecognized tax benefits, and amortization of goodwill for U.S tax reporting purposes.

Results of Operations

Comparison of the three and nine months ended September 30, 2018 to the three and nine months ended September 30, 2017:

The following tables set forth, for the periods indicated, our net sales by geography (based on where our customers reside), and the change between the specified periods expressed as a percentage increase or decrease:

(unaudited)	Three months ended September 30,			Nine months ended September 30,		
	2018	2017	Percent change	2018	2017	Percent change
	($ in thousands)					
Net sales	$24,165	$24,822	(3%)	$77,179	$74,714	3%
Net sales by geography:						
Americas	$14,943	$15,439	(3%)	$46,885	$46,510	1%
Europe, Middle East and Africa	$ 7,856	$ 7,926	(1%)	$25,685	$23,660	9%
Asia/Pacific Rim	1,366	1,457	(6%)	4,609	4,544	1%
Total	$24,165	$24,822	(3%)	$77,179	$74,714	3%

Net sales. Net sales decreased $0.7 million or 3% to $24.2 million for the three months ended September 30, 2018, compared to $24.8 million for the three months ended September 30, 2017. Net sales increased $2.5 million or 3% to $77.2 million for the nine months ended September 30, 2018, compared to $74.7 million for the nine months ended September 30, 2017. The sales decrease for the three months ended September 30, 2018 was due to the divestiture of our Reddick cholangiogram catheter product in early Q2

2018 of $0.4 million, as well as decreased sales of vessel closure systems of $0.3 million, radiopaque tape of $0.2 million and valvulotomes of $0.1 million. Partly offsetting these sales decreases were increased sales of biologic vascular patches of $0.3 million and shunts of $0.2 million. The sales increase for the nine months ended September 30, 2018 occurred across multiple product lines including our biologic vascular patches which increased by $1.5 million, allografts $0.9 million, shunts $0.9 million and valvulotomes $0.5 million. Partly offsetting these increases was the decrease in cholangiogram catheters in connection with our divestiture of the Reddick product line of $1.0 million, as well as a decrease in vessel closure systems of $0.6 million. Across all product lines, we estimate that the weakening U.S. dollar during the nine months ended September 30, 2018 as compared to the nine months ended September 30, 2017 increased our net sales by $1.8 million.

Direct-to-hospital net sales were 95% and 93% of our total net sales for the nine months ended September 30, 2018 and 2017, respectively.

Net sales by geography. Net sales in the Americas decreased $0.5 million or 3% for the three months ended September 30, 2018 as compared to September 30, 2017, due primarily to the divestiture of our Reddick cholangiogram catheter product in Q2 2018 of $0.4 million, as well as decreases sales of radiopaque tape and powered phlebectomy devices of $0.1 million each. These decreases were partly offset by increased sales of biologic vascular patches and valvulotomes. For the nine months ended September 30, 2018, sales in the Americas increased $0.4 million or 1%. Sales of allografts increased $0.9 million, biologic vascular patches $0.5 million and valvulotomes $0.4 million. These increases were largely offset by decreases of $$1.0 million from the cholangiogram catheter product line divestiture as well as decreased sales of radiopaque tape of $0.4 million and vessel closure systems of $0.3 million.

Europe, Middle East and Africa (or EMEA) net sales decreased $0.1 million, or 1% for the three months ended September 30, 2018, and increased $2.0 million or 9% for the nine months ended September 30, 2018. For the three-month period the decrease was primarily driven by lower export sales to distributors in countries where we do not have a direct sales force, as well as by decreased sales of valvulotomes, which were partly offset by increased sales of biologic vascular patches. For the nine months ended September 30, 2018, the increased sales were driven by increased sales of biologic vascular patches of $1.0 million, biologic vascular grafts of $0.3 million and embolectomy catheters of $0.3 million. Across all product lines, we estimate that the weakening U.S. dollar during the nine months ended September 30, 2018 as compared to the nine months ended September 30, 2017 increased our EMEA net sales by $1.7 million. The Reddick divestiture had an immaterial impact on EMEA sales as those products were sold primarily in the United States.

Asia/Pacific Rim net sales decreased $0.1 million, or 6% for the three months ended September 30, 2018, and increased $0.1 million or 1% for the nine months ended September 30, 2018. For the three month period the decrease was primarily related to lower sales of vessel closure systems to China of $0.3 million as we transition to a direct sales model, which were partly offset by increased shunt sales of $0.2 million. For the nine month period the increase was primarily related to higher sales of shunts, occlusion catheters and valvulotomes, which were partly offset by decreased sales of powered phlebectomy systems and vessel closure systems to China.

The following table sets forth the change in our gross profit and gross margin for the periods indicated:

(unaudited)	Three months ended September 30,				Nine months ended September 30,			
	2018	2017	Change	Percent change	2018	2017	Change	Percent change
	($ in thousands)							
Gross profit	$17,255	$17,577	$ (322)	(2%)	$54,721	$52,446	$2,275	4%
Gross margin	71.4%	70.8%	0.6%	*	70.9%	70.2%	0.7%	*

* Not applicable

Gross Profit. Gross profit decreased $0.3 million to $17.3 million for the three months ended September 30, 2018, while gross margin increased 60 basis points to 71.4% in the period. For the nine months ended September 30, 2018, gross profit increased $2.3 million to $54.7 million, while gross margin increased 70 basis points to 70.9% in the period. The increases for both comparative periods were the result of favorable geographic and product mix and higher average selling prices across most products, which were partially offset by higher per-unit costs of certain of our products. The nine months ended September 30, 2018 was also favorably impacted by changes in foreign currency exchange rates as compared to the prior year period.

Operating Expenses

The following tables set forth changes in our operating expenses for the periods indicated and the change between the specified periods expressed as a percentage increase or decrease:

(unaudited)	Three months ended September 30,				Nine months ended September 30,			
	2018	2017	$ Change	Percent change	2018	2017	$ Change	Percent change
Sales and marketing	$ 6,622	$ 6,201	$ 421	7%	$20,504	$19,754	$ 750	4%
General and administrative	3,983	4,562	(579)	(13%)	13,227	12,857	370	3%
Research and development	2,037	1,761	276	16%	5,850	5,053	797	16%
(Gain) loss on divestitures	—	—	—	*	(5,876)	—	(5,876)	*
Total	$12,642	$12,524	$ 118	1%	$33,705	$37,664	$ (3,959)	(11%)

	Three months ended September 30,			Six months ended June 30,		
	2018 % of Net Sales	2017 % of Net Sales	Change	2018 % of Net Sales	2017 % of Net Sales	Change
Sales and marketing	27%	25%	2%	27%	26%	1%
General and administrative	16%	18%	(2%)	17%	17%	0%
Research and development	8%	7%	1%	8%	7%	1%
(Gain) loss on divestitures	0%	0%	0%	(8%)	0%	(8%)

* Not a meaningful percentage relationship.

Sales and marketing. For the three months ended September 30, 2018, sales and marketing expense increased 7% to $6.6 million. The increase was driven mainly by higher personnel costs, including salaries, recruiting and travel expenses associated with expanding the sales force in the 2018 period. As a percentage of net sales, sales and marketing expense increased to 27% in the three months ended September 30, 2018 from 25% in the prior period as spending growth outpaced sales growth. For the nine months ended September 30, 2018, sales and marketing expense increased 4% to $20.5 million. The increase was driven mainly by higher compensation costs, increased spending related to our annual sales meeting, recruiting, severance and travel expenses. These increases were partly offset by lower sales force commissions. As a percentage of sales, sales and marketing expense increased to 27% for the nine months ended September 30, 2018, from 26% in the prior year period.

General and administrative. For the three months ended September 30, 2018, general and administrative expense decreased 13% to $4.0 million. Included in the prior year period is a charge of $0.5 million related to a stock option award modification associated with the departure of one of our European employees. Acquisition-related costs also decreased in the current year period. As a percentage of sales, general and administrative expense decreased to 16% for the three months ended September 30, 2018 from 18% in the prior year. For the nine months ended September 30, 2018, general and administrative expense increased 3% to $13.2 million. The general and administrative expense increases were driven by higher compensation costs, professional fees and travel expense, which were partly offset by lower facilities costs. As a percentage of sales, general and administrative expense was 17% for the nine months ended September 30, 2018 and 2017.

Research and development. For the three months ended September 30, 2018, research and development expense increased 16% to $2.0 million. For the nine months ended September 30, 2018, research and development expense increased 16% to $5.9 million. In both comparative periods the increase was primarily related to regulatory submissions for our products in China and Japan, as well as testing related to our biologic product offerings. We also had higher compensation, recruiting and travel expenses. As a percentage of sales, research and development expense increased to 8% for the three and nine months ended September 30, 2018, as compared to 7% for the prior year comparative periods.

Gain on divestiture. On April 5, 2018, we entered into an asset purchase agreement with Specialty Surgical Instrumentation, Inc. to sell the inventory, intellectual property and other assets associated with our Reddick cholangiogram catheter and Reddick Saye-Screw product lines for $7.4 million. In connection with this divestiture we at the same time entered into a transition services agreement to manufacture and supply these products to the buyer for a period of up to two years unless extended by both parties. We also entered into an agreement to supply latex balloons to the buyer for the cholangiogram catheters for a period of up six years, unless extended by both parties. During the three months ended June 30, 2018 we recorded a gain in connection with these agreements of $5.9 million.

Income tax expense. We recorded a tax provision of $0.4 million on pre-tax income of $4.7 million for the three months ended September 30, 2018, compared to a $31,000 tax provision on pre-tax income of $5.1 million for the three months ended September 30, 2017. We recorded a tax provision of $4.3 million on pre-tax income of $21.2 million for the nine months ended September 30, 2018, compared to $1.9 million on pre-tax income of $14.8 million for the nine months ended September 30, 2017. Our effective income tax rate was 8.8% and 20.2% for the three and nine month periods ended September 30, 2018. Our tax expense for the current period is based on an estimated annual effective tax rate of 25.1%, adjusted in the applicable quarterly periods for discrete stock option exercises and other discrete items. Our income tax expense for the current period varies from the statutory rate mainly due to federal and state tax credits, permanent items, different statutory rates from our foreign entities, and a discrete item for stock option exercises.

Our effective income tax rate was 0.6% and 12.8% for the three and nine month period ended September 30, 2017. Our 2017 provision was based on the estimated annual effective tax rate of 36.8%, adjusted in the applicable quarterly period for discrete stock option exercises and other discrete items. Our income tax expense for 2017 varied from the statutory rate mainly due to certain permanent items, offset by lower statutory rates from our foreign entities and a discrete item for stock option exercises.

We monitor the mix of profitability by tax jurisdiction and adjust our annual expected rate on a quarterly basis as needed. While it is often difficult to predict the final outcome or timing of the resolution for any particular tax matter, we believe our tax reserves reflect the probable outcome of known contingencies.

We assess the likelihood that our deferred tax assets will be realized through future taxable income and record a valuation allowance to reduce gross deferred tax assets to an amount we believe is more likely than not to be realized. As of September 30, 2018, we have provided a valuation allowance of $2.0 million for deferred tax assets primarily related to Australian net operating loss and capital loss carry forwards and Massachusetts tax credit carry forwards that are not expected to be realized.

Liquidity and Capital Resources

At September 30, 2018, our cash and cash equivalents were $20.1 million as compared to $19.1 million at December 31, 2017. We also had $25.5 million in a short-term managed income mutual fund investment as of September 30, 2018 compared to $22.6 million as of December 31, 2017. Our cash and cash equivalents are highly liquid investments with maturities of 90 days or less at the date of purchase, and consist primarily of operating bank accounts. Our short-term marketable securities consist of a managed income mutual fund investing mainly in short-term investment grade, U.S.-dollar denominated fixed and floating-rate debt. All of our cash held outside of the United States is available for corporate use, with the exception of $9.1 million held by subsidiaries in jurisdictions for which earnings are planned to be permanently reinvested.

On July 25, 2017, our Board of Directors approved a stock repurchase program under which the Company was authorized to repurchase up to $7.5 million of its common stock through transactions on the open market, in privately negotiated purchases or otherwise. This program expired on July 25, 2018. We did not make any share repurchases under this program.

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 $21.0 million for the nine months ended September 30, 2018. For the year ended December 31, 2017, we had operating income of $21.1 million. We expect to fund any increased costs and expenditures from our existing cash and cash equivalents, 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 and services;
- payments associated with potential future quarterly cash dividends to our common stockholders;
- future acquisition-related payments;
- payments associated with income and other taxes;
- the costs associated with expanding our manufacturing, marketing, sales, and distribution efforts;
- the costs associated with our initiatives to sell direct-to-hospital in new countries;
- the costs of obtaining and maintaining FDA and other regulatory clearances of our existing and future products;
- the number, timing, and nature of acquisitions, divestitures and other strategic transactions, and
- potential future share repurchases.

Our cash balances may decrease as we continue to use cash to fund our operations, make acquisitions, make payments under our quarterly dividend program, make share repurchases 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 twelve months. If these sources of cash are insufficient to satisfy our liquidity requirements beyond the next twelve months, we may seek to sell additional equity or debt securities or borrow funds from, or establish a revolving credit facility with, 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 and possibly our ability to pay dividends. 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.

Dividends

In February 2011, our Board of Directors approved a policy for the payment of quarterly cash dividends on our common stock. Future declarations of quarterly dividends and the establishment of future record and payment dates are subject to approval by our Board of Directors on a quarterly basis. The dividend activity for the periods presented is as follows:

Record Date	Payment Date	Per Share Amount	Dividend Payment (in thousands)
Fiscal Year 2018			
March 22, 2018	April 5, 2018	$0.070	$1,351
May 22, 2018	June 7, 2018	$0.070	$1,353
August 22, 2018	September 6, 2018	$0.070	$1,369
Fiscal Year 2017			
March 22, 2017	April 6, 2017	$0.055	$1,029
May 24, 2017	June 8, 2017	$0.055	$1,036
August 23, 2017	September 7, 2017	$0.055	$1,055
November 22, 2017	December 7, 2017	$0.055	$1,060

On October 4, 2018 our Board of Directors approved a quarterly cash dividend on our common stock of $0.07 per share payable on December 6, 2018 to stockholders of record at the close of business on November 20, 2018, which will total approximately $1.4 million.

Cash Flows

	Nine months ended September 30, (in thousands)		
	2018	2017	Net Change
Cash and cash equivalents	$20,104	$ 37,514	$ (17,410)
Cash flows provided by (used in):			
Operating activities	$12,935	$ 16,098	$ (3,163)
Investing activities	(8,312)	(4,780)	(3,532)
Financing activities	(3,113)	1,146	(4,259)

Net cash provided by operating activities. Net cash provided by operating activities was $12.9 million for the nine months ended September 30, 2018, consisting of $16.9 million in net income, adjustments for non-cash or non-operating items of $0.4 million (including depreciation and amortization of $3.1 million, stock-based compensation of $1.8 million, provisions for inventory write-offs and doubtful accounts of $0.5 million and a gain on divestiture of $5.9 million) and also a net use of working capital of $3.7 million. The net cash used for working capital was driven by an increase in inventory and other deferred costs of $3.1 million, an increase in prepaid expenses and other assets of $1.8 million, and a decrease in accounts payable and accrued expenses of $0.3 million, all offset by a decrease in accounts receivable of $1.5 million.

Net cash provided by operating activities was $16.1 million for the nine months ended September 30, 2017, consisting of $12.9 million in net income adjusted for non-cash items of $5.2 million (including depreciation and amortization of $3.0 million, stock-based compensation of $1.8 million, and provisions for inventory write-offs and doubtful accounts of $0.4 million) and offset by changes in working capital of $2.0 million. The net cash used for working capital was driven by increases in inventory of $1.3 million, accounts receivable of $0.1 million and prepaid expenses and other current assets of $1.4 million, offset by a decrease in accounts payable and other liabilities of $0.8 million.

Net cash used in investing activities. Net cash used in investing activities was $8.3 million for the nine months ended September 30, 2018. This was primarily driven by an acquisition in the quarter for which we paid $11.0 million, net purchases and sales of marketable securities of $2.9 million and expenditures on equipment and technology of $1.8 million, which were partially offset by proceeds from a business divestiture of $7.4 million.

Net cash used in investing activities was $4.8 million for the nine months ended September 30, 2017. This was primarily driven by expenditures on leasehold improvements and equipment associated with the expansion of our Burlington facility.

Net cash used in financing activities. Net cash used in financing activities was $3.1 million for the nine months ended September 30, 2018, primarily driven by cash dividends paid of $4.1 million and payments related to prior acquisitions of $1.2 million. These were partially offset by proceeds from stock option exercises of $2.1 million net of shares repurchased to cover payroll taxes of $0.7 million.

Net cash provided by financing activities was $1.1 million for the nine months ended September 30, 2017, consisting of proceeds from stock option exercises of $5.5 million, offset by dividend payments of $3.1 million, shares repurchased for taxes on restricted stock vesting of $0.8 million and payments related to prior acquisitions of $0.4 million.

Contractual obligations. Our principal contractual obligations consist of operating leases and inventory purchase commitments, and have not changed significantly since December 31, 2017 as reported in our Annual Report on Form 10-K.

Off-Balance Sheet Arrangements

We did not have any off-balance sheet arrangements as of September 30, 2018. We do not currently have, nor have we ever had, any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. In addition, we do not engage in trading activities involving non-exchange traded contracts. As a result, we are not materially exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in these relationships.

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, 2017. With the exception of the adoption, effective January 1, 2018, of Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)* discussed in Note 1 to this Quarterly Report on Form 10-Q, there have been no material changes in our critical accounting policies during the nine months ended September 30, 2018. 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 sales returns and discounts, share-based compensation, inventories, intangible assets, bad debts, and income taxes are reviewed on an ongoing basis and updated as appropriate. Actual results may differ from those estimates.

Recent Accounting Pronouncements

A summary of recent accounting pronouncements that may impact our financial statements upon adoption in future periods can be found in Note 1 to our financial statements included under Part 1, Item 1 of this Quarterly Report on Form 10-Q.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

In the ordinary course of conducting business, we are exposed to certain risks associated with potential changes in market conditions. These market risks include changes in currency exchange rates and interest rates which could affect operating results, financial position and cash flows. We manage our exposure to these market risks through our regular operating and financing activities and, if considered appropriate, we may enter into derivative financial instruments such as forward currency exchange contracts, although we have not done so in 2018 or in recent years. There have been no material changes in our quantitative and qualitative market risks since the disclosure in our Annual Report on Form 10-K for the year ended December 31, 2017.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation and supervision of our Chief Executive Officer and Chief Financial Officer, is responsible for our disclosure controls and procedures pursuant to Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified under SEC rules and forms. Disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to our principal executive

officer and our principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. We design our disclosure controls and procedures to ensure, at reasonable assurance levels, that such information is timely recorded, processed, summarized and reported, and then accumulated and communicated appropriately.

Based on an evaluation of our disclosure controls and procedures as of September 30, 2018 our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at reasonable assurance levels.

Changes in Internal Control

There have been no changes in our internal control over financial reporting for the nine months ended September 30, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations of Internal Controls

Notwithstanding the foregoing, 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 based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any system will succeed in achieving its stated goals under all potential future conditions. Over time, 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 employment, product liability, commercial arrangements, contracts, intellectual property and other matters. While the outcome of these proceedings and claims cannot be predicted with certainty, there are no matters, as of November 2, 2018, that management believes would have a material adverse effect on our financial position, results of operations or cash flows.

Item 1A. Risk Factors

In addition to the information set forth in this report, you should consider the risks and uncertainties discussed in “Part I, Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2017, which could materially affect our business, financial condition, or future results. There have been no substantive changes from the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2017, which was filed with the Securities and Exchange Commission on March 9, 2018.

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	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that may yet be Purchased under the Plans or Program
July 1, 2018 through July 31, 2018	18,353	$ 36.74	N/A	N/A
August 1, 2018 through August 31, 2018	—		N/A	N/A
September 1, 2018 through September 30, 2018	—		N/A	N/A
Total	18,353	$ 36.74	N/A	N/A

(1) For the three months ended September 30, 2018, we repurchased 18,353 shares of our common stock to satisfy employees' obligations with respect to minimum statutory withholding taxes in connection with the vesting of restricted stock units.

Item 6. Exhibits

Exhibit Number	Exhibit Description	Incorporated by Reference			Filed Herewith
		Form	Date	Number	
2.1	Asset Purchase Agreement date September 20, 2018 between Registrant and Applied Medical Resources Corporation				X
31.1	Certification of Chief Executive Officer, as required by Rule 13a-14(a) or Rule 15 d-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 63 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 63 of Title 18 of the United States Code (18 U.S.C. §1350).*				X
101.INS	XBRL Instance Document.				X
101.SCH	XBRL Taxonomy Extension Schema Document.				X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.				X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.				X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.				X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.				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.

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 November 2, 2018.

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 and Director

ASSET PURCHASE AGREEMENT

ASSET PURCHASE AGREEMENT (this "Agreement"), dated September 20, 2018, by and among LeMaitre Vascular, Inc., a Delaware corporation with an address at 63 Second Ave., Burlington, Massachusetts 01803 (the "Purchaser") and Applied Medical Resources Corporation, a California corporation, with an address at 22872 Avenida Empresa, Rancho Santa Margarita, California 92688 (the "Seller").

W I T N E S S E T H:

WHEREAS, the Seller owns, and together with the Seller's Affiliates operates, a medical device business specializing in designing, developing, manufacturing, marketing, selling and distributing certain clot management and other devices identified on Schedule 1.1 attached hereto ("Products") (as such business is conducted, related to the Products, as of the Closing Date, the "Business");

WHEREAS, Applied Medical Corporation (the "Guarantor") is the ultimate holding company of the Seller and has agreed to guarantee the obligations of the Seller; and

WHEREAS, the Purchaser desires to purchase, and the Seller desires to sell, the Assets (as defined below), on the terms and subject to the conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the covenants, promises and representations set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

ARTICLE I
Purchase and Sale of Assets.

Section 1.1. Sale of Assets. Subject to the terms and conditions of this Agreement, upon Closing the Seller does hereby sell, transfer, convey, assign and set over ("Transfer") to the Purchaser, and the Purchaser does hereby purchase and acquire from the Seller, all of the Seller's right, title and interest in and to any and all of its properties, rights, claims, contracts and assets, tangible or intangible, choate or inchoate, and wherever located solely related to and required for the manufacture and sale of the Products, as set forth in Section 1.2.A (collectively, the "Assets"), excluding, however, the Excluded Assets (as defined below). To the extent that any of the Assets or any claim, right or benefit arising under or resulting from such Assets (collectively, the "Rights") is not capable of being transferred without the approval, consent or waiver of any third person, or if the transfer of a Right would constitute a breach of any obligation under, or violation of, any applicable Law unless the approval, consent or waiver of such third person is obtained, then, except as expressly otherwise provided in this Agreement and without limiting the rights and remedies of LeMaitre contained elsewhere in this Agreement, this Agreement shall not constitute an agreement to transfer such Right unless and until such approval, consent or waiver has been obtained.

Section 1.2. Assets; Excluded Assets.

A. Assets. The term "Assets" shall include, the Seller's right, title and interest in and to any and all of the following:

1. Tangible Assets. All machinery, equipment, tooling, and other tangible assets or personal property (collectively, the "Tangible Assets") of the Seller, wherever located and solely related to and required for the manufacture and sale of the Products specifically listed under the heading "Tangible Assets" on Schedule 4.1(F).

2. Inventory. Sterilized finished goods inventory of Applied-labeled Products valued at no less than $400,000, measured at US standard cost, 5% or less of which may be Products listed under the heading "Other" on Schedule 1.1 (the "Inventory"), accompanied by a certificate of conformance prepared by Seller, containing the part number, lot number, quantity, and sterilization lot number of each Product and a statement that each Product was manufactured in accordance with Seller internal procedures, of which approximately $45,000 worth of Inventory shall be delivered promptly following the Closing Date and approximately $255,000 of which shall be delivered no later than October 5, 2018 and $100,000 of which shall be shipped no later than October 26, 2018. Inventory shall also include 93 units of part numbers 100745401, 100745201, 100745801 and 100755901, which shall be delivered no later than October 5, 2018.

3. Purchased Commitments. Those assignable Commitments specifically set forth on Schedule 4.1(E)(1) (the "Purchased Commitments").

4. Reserved.

5. Intellectual Property. To the extent applicable to the Products, any and all patents, copyrights, know-how, trade secrets, trademarks (except as set forth in Section 1.2(B)(3)), service marks, trade names, domain names, inventions and discoveries (whether patentable or not), covering the Products, or contained in any Product designs, drawings, engineering and manufacturing documents (including manufacturing instructions), technical manuals, manufacturing processes, formulae and ,computer software in the Assets, and any license or usage rights with respect to any of the Assets and those items set forth on Schedule 4.1(H), and all applications therefor and registrations thereof, including without limitation all Proprietary Information (as hereinafter defined) of the Seller, the trademark and service mark rights relating to Product names, if any, along with such rights (common law or otherwise) in the registrations and logos relating thereto, if any, and to the design elements and any variations or combinations thereof (collectively, "Intellectual Property"), and any and all rights to sue for infringement or other violations of the same occurring on or after the Closing Date, and all goodwill associated with any of the foregoing.

6. Permits and Approvals. To the extent assignable, all permits, licenses, approvals, consents, registrations and authorizations held by Seller and required by Governmental Entities specifically with respect to the to manufacture, distribution, sale or marketing of the Products (collectively, "Approvals"), which are listed on Schedule 4.1(E)(3), together with all documents and records related thereto directly relevant to the Products, in Seller's possession or control, including the design history files; device master records; device history records; clinical data; technical file; complaint files; records of adverse events; reports of adverse events, corrections or recalls; and quality management documents.

7. Data and Records. The list of all customers purchasing Products directly from Seller or its Affiliates during the period from January 1, 2016 through September 14, 2018, listed on Schedule 4.1(P), with ship to addresses; all available pricing information by customer and SKU as of September 19, 2018 (4.1(P) Current Pricing Europe.xlsx and 4.1(P) US Pricing.xlsx) to be supplemented by Seller upon further identification; the supplier list set forth on Schedule 4.1(L); and any purchasing information already provided by Seller to Purchaser exclusively related to the Business, engineering information previously provided to Purchaser, current instructions for use, sales and promotional literature, manuals, , and all marketing materials related to the Products, including photos and art-work, drawings, prints and other like materials in Seller's possession.

8. Global Distribution Rights. Global distribution rights Seller has to the Products.

9. Other Assets. The assets described on Schedule 1.2(A)(9) or later identified by Seller that relate exclusively to the Business (the "Other Business Assets"). Seller shall use commercially reasonable efforts to provide, on an as-is basis without any warranty except as to title, any damaged, excess stock, expired or otherwise obsolete units of Product. Upon reasonable request of Purchaser, Seller will provide any existing sales and purchase customer correspondence exclusively related to the Business.

B. Excluded Assets. Notwithstanding anything contained in this Agreement to the contrary, the following assets of the Seller (the "Excluded Assets") are not included in the Assets:

1. Cash. All cash, cash equivalents and other investments of the Seller.

2. Accounts Receivable. All receivables arising out of the sale of Products by the Seller prior to the Closing.

3. All right, title, and interest in the intellectual property set forth in Schedule 4.1(H) that is unrelated to Products. Seller expressly excludes from the Assets and retains the portion of trademark rights (including common law rights in the United States and foreign countries), associated with United States Trademark Registration No. 2,649,711 for LATIS as used on the goods of "Surgical apparatus, namely, atraumatic clips and inserts for atraumatic clips and clamps," in international class 010. Seller further expressly excludes from the Assets and retains all goodwill associated with the foregoing excluded trademark rights.

4. All Excluded Commitments;

5. All raw materials and WIP inventory;

6. The equipment and products set forth in Schedule 5.4(A);

7. All books, records, documents and files of Seller or its Affiliates which are not expressly included in Section 1.2 or required for the transfer of the Purchased Assets; and

8. All other assets, tangible or intangible, other than those specifically listed or described in Section 1.2

ARTICLE II
Closing and Certain Post-Closing Matters.

Section 2.1. Closing. The closing of the transactions contemplated hereby (the "Closing") will take place simultaneously with the execution and delivery of this Agreement on September 20, 2018 (the "Closing Date"), and shall be effective as of 12:01 AM Eastern Standard Time on the Closing Date. All proceedings shall occur simultaneously and all documents and agreements shall be executed and delivered simultaneously. The Closing may or may not be conducted in person, but the transaction shall be considered to have occurred in Massachusetts.

Section 2.2. Payment at Closing. In consideration of the Transfer to the Purchaser of the Assets and of the other representations, warranties and covenants herein, the Purchaser shall pay to or for the account of the Seller the total amount of $14,200,000, (the "Purchase Price"), of which:

a. $11,000,000 is being paid at the Closing to the Seller by wire transfer of immediately available funds (such payment being hereby acknowledged by the Seller);

b. $2,000,000 (the "First Holdback Amount") shall be paid by the Purchaser to the Seller not later than fifteen (15) days following the expiration of the twelve (12) month period following the Closing Date by wire transfer of immediately available funds; and

c. $1,200,000 (the "Second Holdback Amount" and together with the First Holdback Amount, the "Holdback Amounts") shall be paid by the Purchaser to the Seller not later than fifteen (15) days following the expiration of the twenty-four (24) month period following the Closing Date by wire transfer of immediately available funds.

Section 2.3. Closing Deliverables. The Seller and the Purchaser shall deliver to each other, at the Closing, the certificates, consents, approvals, agreements, documents and other items relating to the transactions contemplated by this Agreement that are set forth on Schedule 2.3 hereto (collectively with this Agreement, the "Closing Documents").

Section 2.4. Transition Services. The Seller and its applicable Affiliates shall provide the services set forth in the Transition Services Agreement ("Transition Services Agreement") dated as of the Closing Date by and between the Purchaser and Applied Medical Distribution Corporation, a California corporation ("AMDC") in connection with the activities contemplated under this Agreement. The Seller and the Purchaser have agreed to a mailing to be sent by the Purchaser to former Product customers of the Seller, introducing the Purchaser, explaining the transition, including specifying that Product shall be manufactured by the Purchaser as of the expiration of the Transition Services Agreement, in the form set forth in Exhibit D. Notwithstanding anything set forth in this Agreement, the Purchaser grants the Seller and its Affiliates all rights necessary under the Assets solely and exclusively to perform the services set forth in the Transition Services Agreement until the earlier termination or expiration of the Transition Services Agreement.

Section 2.5. Remaining Assets. Upon a schedule to be agreed to in writing by the parties in accordance with the Transition Services Agreement, the Assets not delivered at Closing shall be packed for shipment by the Seller and delivered to the Seller's facility for Purchaser's carrier, as arranged by the Purchaser at the Purchaser's cost.

Section 2.6. Historical Pricing Records and Contact Information. Seller shall provide to Purchaser by October 3, 2018: (a) all available pricing information by customer and SKU as of (i) January 1, 2016, (ii) January 1, 2017, and (iii) January 1, 2018. Seller shall provide to Purchaser by September 21, 2018 email contact information for current direct Product customers to the extent maintained by Seller.

Section 2.7. Evidence of Lien Release. As soon as reasonably practicable following the Closing Date, Seller shall provide evidence of the release of any and all Liens encumbering the Assets prior to or on the Closing Date, including, to the extent applicable, a stamped copy of a UCC financing statement filed with the State of California and with the County of Orange showing the release of all security interests in the Assets by J.P. Morgan.

Section 2.8. Latis Trademark Division. Promptly following the Closing Date, the Purchaser shall take appropriate action to record the partial assignment of the LATIS trademark from the Seller to the Purchaser, promptly after which the Parties will cooperate to file with the USPTO a Request to Divide Registration. Each Party will bear its own fees and expenses in connection with the activities under this Section 2.8.

ARTICLE III
Liabilities.

Section 3.1. Assumed Liabilities. As consideration for the purchase of the Assets pursuant to this Agreement, the Purchaser does hereby assume, and does hereby agree to pay, satisfy, discharge and perform, (i) those specific liabilities and obligations of the Seller arising under the Purchased Commitments, (ii) any Taxes relating to the sale of the Product or the Assets attributable to any period or partial period beginning on or after the Closing Date; (ii) any product liability or warranty claims or any claim for injury to any person or property involving any Product actually manufactured and sold by Purchaser on or after the Closing Date; (iii) any liability, obligations, and commitments related to promotional and marketing activities for the Products incurred by Purchaser and performed after the Closing Date, including the development, distribution and use of any sales aids or promotional materials; and (iv) all liabilities associated with the Assets (other than the Inventory) arising after the Assets are in Purchaser's physical possession and Purchaser's use of the Assets (other than the Inventory) after the Assets are in Purchaser's physical possession, except to the extent that such use was made in reliance on any express representation or warranty of Seller hereunder; provided however, the Purchaser shall not so assume any such obligations or liabilities under any Purchased Commitment to the extent that (a) such obligations or liabilities arise out of a breach by the Seller or its affiliates or predecessors of any such Purchased Commitment prior to the Closing Date; (b) such obligations or liabilities arise out of facts or circumstances that constitute a breach of the Seller's representations and warranties to the Purchaser hereunder; (c) such obligations or liabilities relate to any period(s) prior to the Closing Date; or (d) a true and complete copy of such Purchased Commitment was not provided to the Purchaser (such obligations and liabilities assumed as aforesaid, the "Assumed Liabilities").

Section 3.2. Excluded Liabilities. Notwithstanding anything to the contrary contained in this Agreement, the Schedules hereto or any other Closing Document, the Purchaser does not and will not assume or agree to pay, satisfy, discharge or perform, and shall not be deemed by virtue of the execution and delivery of this Agreement or any other Closing Document, or as a result of the consummation of the transactions contemplated by this Agreement, the Closing or otherwise to have assumed, or to have agreed to pay, satisfy, discharge or perform any of the Excluded Liabilities. The term "Excluded Liabilities," as used herein, shall mean any and all liabilities, debts, claims, obligations, taxes, expenses or damages, whether known or unknown, contingent or absolute, named or unnamed, disputed or undisputed, legal or equitable, determined or indeterminable, or liquidated or unliquidated (any and all of the foregoing, "Liabilities") that are not specifically Assumed Liabilities, including without limitation (i) any and all

Liabilities relating to employee benefits or compensation arrangements owing to any Seller employee; (ii) any and all Liabilities of the Seller for Taxes; and (iii) any and all Liabilities that may arise or have arisen in connection with Products manufactured or sold by the Seller prior to the Closing, including warranty obligations and Product liability.

ARTICLE IV
Representations and Warranties.

Section 4.1. Representations and Warranties by the Seller. The Seller hereby represents and warrants to the Purchaser that:

A. Corporate Existence and Qualification of the Seller; Due Execution; Etc. The Seller is a corporation duly organized, validly existing and subsisting under the Laws of the State of California and has the requisite corporate power and authority to own, lease or otherwise hold the Assets and to carry on the Business as conducted through the Closing Date. The Seller has all requisite corporate power and authority to execute, deliver and perform this Agreement and the Closing Documents to which it is a party and to consummate the transactions contemplated hereby and thereby. The execution and delivery of this Agreement and the Closing Documents to be executed by the Seller and the consummation by the Seller of the transactions contemplated hereby and thereby have been duly authorized by all requisite corporate action, including the authorization and approval of the board of directors. Assuming the due execution of this Agreement and the Closing Documents by the Purchaser, this Agreement and the Closing Documents to which the Seller or any of its Affiliates is a party constitute valid and binding obligations of the Seller and each such Affiliate, enforceable in accordance with their respective terms, subject only to applicable bankruptcy, insolvency, reorganization, moratorium or other similar Laws relating to creditors' rights generally and to general principles of equity (regardless of whether such enforcement is considered in a proceeding at law or in equity).

B. No Violation. Neither the execution and delivery by the Seller of this Agreement or the Closing Documents to be executed by the Seller or its Affiliates, nor the consummation by the Seller or any such Affiliate of the transactions contemplated hereby or thereby: (i) violates or will violate any Law applicable to the Seller or such Affiliate; (ii) violates or will violate any order, ruling, writ, judgment, injunction or decree of any Governmental Entity (an "Order") applicable to the Seller or such Affiliate; (iii) conflicts or will conflict with, or results or will result in a breach of or default under the charter, bylaws or other organizational document of the Seller, or results or will result in any material breach of any Commitment applicable to the Seller or such Affiliate; (iv) results or will result in the imposition of any Lien (as defined below) on any of the Assets; or (v) conflicts with any agreement, contract or other instrument to which the Seller is a party. As used herein, the term "Lien" means any lien, mortgage, security interest, charge, pledge or encumbrance of any kind. Except as set forth on Schedule 4.1(B), Seller has no Knowledge of any consent, authorization, or approval from, or registration or filing with, any Governmental Entity or any other third party that is required to be obtained or made by or with respect to the Seller in order to perform its obligations under this Agreement or in connection with the consummation of the transactions hereunder.

C. Financial Information. Subject to the disclaimers in Section 4.1(S), attached hereto as Schedule 4.1(C) is true and complete (i) monthly sales of the Business in units and dollars by Product for the twelve months ended June 30, 2018, (ii) monthly sales of the Business in units and dollars by country for the twelve months ended June 30, 2018, and (iii) costs of goods sold for the twelve months ended June 30, 2018. Subject to the disclaimers in Section 4.1(S), all information provided on Schedule 4.1(C) is accurate as to the financial information of the Business at the dates indicated.

D. Absence of Certain Transactions. Except as set forth on Schedule 4.1(D), since January 1, 2018, (i) the Seller has caused its Business to be operated only in the ordinary course, consistent with past historical practice over the preceding twelve months ("Ordinary Course of Business"), and (ii) there has been no change in the Business or Assets that has had a Material Adverse Effect. Without limiting the generality of the foregoing, since such date, with respect to the Business, the Seller has not: (1) disposed of any assets, incurred any accounts payable or receivable, or acquired any material assets, except in the Ordinary Course of Business; (2) entered into or amended or terminated any agreements or arrangements with customers or suppliers other than in the Ordinary Course of Business; (3) entered into or renewed any distribution agreements other than in the Ordinary Course of Business; (4) granted or entered into any mortgage, security, charge, surety, guarantee or indemnity covering the Assets (save for Liens arising in the Ordinary Course of Business and which have been discharged prior to Closing); (5) assumed any Liability or obligation or given any commitment outside the Ordinary Course of Business; (6) permitted any insurances to lapse or done or omitted to do anything which could make any insurance policy void or voidable; (7) altered from its standard collection practices with respect to any accounts receivable; (8) entered into any transaction with any Affiliate with respect to its Business; (9) taken any action, or otherwise omitted to take any action, which, if this Agreement had been in effect at such time, would have reasonably been expected to cause a breach of the Seller's representations, warranties, covenants and agreements herein; or (10) agreed or committed to do any of the foregoing.

E. Material Contracts and Obligations; Approvals.

1. Purchased Commitments. The Seller has delivered to the Purchaser true and complete copies of all Purchased Commitments that are in written form and any amendments thereto. Each such Purchased Commitment is in full force and effect immediately following the Transfer of the Assets at the Closing. All Purchased Commitments are listed under the sub-heading "Purchased Commitments" on Schedule 4.1(E)(1) and all Excluded Commitments are listed under the sub-heading "Excluded Commitments" on Schedule 4.1(E)(1); and all tender agreements relating to the sale of Products are listed under the sub-heading "Tenders" on Schedule 4.1(E)(1), which, for the avoidance of doubt, are Excluded Commitments. The Seller has no Commitments related to the Products other than those represented by the Purchased Commitments and the Excluded Commitments. There are no oral contracts, agreements or arrangements that, individually or in the aggregate, are material to the Business.

2. Defaults. With respect to each Purchased Commitment to which the Seller is a party (including as an assignee), such Purchased Commitment is legal, valid, binding, and enforceable; each of the Seller and, to the Knowledge of the Seller, the other party or parties thereto, has performed in all material respects all obligations required to be performed by it thereunder through the Closing Date; the Seller and, to the Knowledge of the Seller, the other party or parties thereto, is not (with or without the lapse of time or the giving of notice, or both) in material default under any such Purchased Commitment; and the Seller has not received any actual notice of any material default (whether monetary or non-monetary) or termination of any such Purchased Commitment from any other party thereto.

3. Approvals. Schedule 4.1(E)(3) sets forth a true and complete list of all Approvals currently held by the Seller, by Product and territory. The Approvals constitute all of the permits, licenses, approvals, registrations, consents and authorizations required by a Governmental Entity specifically for the conduct of the Seller's Business as conducted as of the Closing Date. All Approvals are valid and subsisting and in good standing and there is no default thereunder. The Seller has not received actual notice of any claim, action, suit, proceeding or investigation pertaining to its Business in or before any Governmental Entity, whether brought, initiated, asserted or maintained by a Governmental Entity or any other person or entity nor, to the Knowledge of the Seller, has any such claim, action, suit, proceeding or investigation been threatened, to revoke, suspend or limit the rights of the Seller under any of the Approvals, and the Seller is in compliance in all material respects with each of the Approvals. With the exception of Approvals held by distributors or similar third parties, Seller holds all such Approvals and has not previously transferred any Approval to a third party.

4. Absence of Certain Business Commitments. The Seller has no Commitments of the following types: (1) any Commitment granting to any person a first-refusal, first-offer or other right to purchase or acquire any Assets; (2) any Commitment under which the Seller is or has agreed to become a joint venture or partner with respect to the Business; (3) any Commitment granting a power of attorney that could be binding upon the Purchaser; (4) any Commitment with respect to letters of credit, surety or other bonds, or pursuant to which any Assets are, or are to be, subjected to a Lien; or (5) any Commitment to indemnify any third party in connection with the Business, except as identified on Schedule 4.1(E)(4).

F. Assets. Schedule 4.1(F) sets forth a true and complete list of all of the Assets as of the Closing Date, giving the location and any identifying number reasonably necessary for the identification of such Asset. All Tangible Assets included in the Assets are in good operating condition, normal wear and tear excepted, and are generally adequate for the uses to which they are being put. There are no facts or conditions affecting the Assets that could, individually or in the aggregate, interfere in any material respect with the use or operation thereof as currently used or operated or their adequacy for such use or operation. The books and records included in the Assets, all of which have been made available to the Purchaser, are true and complete in all material respects. The Seller shall maintain, and shall cause its Affiliates to maintain, the above conditions of the Assets from the Closing Date through the term of the Transition Services Agreement or until the Assets are provided to the Purchaser or Purchaser's carrier, whichever is earlier. To the Seller's Knowledge, except as set forth in this Agreement as an Asset, no design testing documents, marketing materials, or clinical data, and no other customer or supplier lists, all solely related to, used exclusively or held for use exclusively in, and required exclusively for, the manufacture, production, marketing, sale and distribution of the Products are in the Seller's possession or control. The Assets and the Excluded Physical Assets include all of the assets reasonably necessary (i) for one or more individuals of ordinary skill in the manufacture of medical devices to manufacture the Products and (ii) to either legally market and sell, or to obtain the approval to legally market and sell, the Products, in each case assuming the Purchaser obtains assets substantially similar to the Excluded Physical Assets and uses the Assets and the assets substantially similar to the Excluded Physical Assets in a manner consistent with the use of the Assets and the Excluded Physical Assets by the Seller.

G. Title to Assets. Immediately prior to Closing, the Seller is the true and lawful owner of, and has good and marketable title in and to, all of the Assets, free and clear of all Liens. Upon consummation of the transactions contemplated hereby, the Purchaser will be the true and lawful owner of, and have acquired good and marketable title in and to, or a valid leasehold interest in, all of the Assets, free and clear of all Liens.

H. Intellectual Property.

1. Schedule 4.1(H) sets forth a true and complete list of all Intellectual Property owned or used by Seller in the Business to Seller's Knowledge, and in the case of registered Intellectual Property, includes the jurisdiction in which such item of Intellectual Property has been registered or filed, the applicable application and registration or serial number, the expiration date, and if applicable, any co-owners thereof. Seller owns all Intellectual Property and does not license any Intellectual Property necessary for the manufacture, use or sale of the Products. The Intellectual Property includes all of the Intellectual Property necessary for the conduct and operation of the Business and the manufacture and sale of the Products as conducted by Seller as of the Closing Date. With respect to the Intellectual Property as of the Closing Date: (i) Seller possesses all right, title and interest in and to such Intellectual Property, free and clear of any encumbrance, license or other restriction; (ii) such Intellectual Property is not subject to any outstanding injunction, judgment, order, decree, ruling or charge; (iii) no action, suit, proceeding, hearing, investigation, charge, complaint, claim or demand is pending or threatened which challenges the legality, validity, enforceability, use or ownership of such Intellectual Property; (iv) except pursuant to Excluded Commitments, Seller has not agreed to indemnify any person for or against any interference, infringement, misappropriation or other conflict with respect to such Intellectual Property; and (v) such Intellectual Property is not subject to any license granted by Seller to any third party. The Seller does not pay or owe any royalties or licensing fees to any third party on the Products or any sale of the Products.

2. Seller has not, in the conduct of its Business, interfered with, infringed upon or misappropriated any patent, copyright, trade secret or other intellectual property rights of third persons, and Seller has never received actual notice of any claim, demand or notice alleging any such interference, infringement, misappropriation or violation (including any claim that it must license or refrain from using any such rights of any third party) relating to its Business. To the Knowledge of Seller, no third party is currently or has interfered with, infringed upon, misappropriated or otherwise come into conflict with any of the Intellectual Property, or license or distribution rights of Seller with respect to or in connection with the Seller's Business as currently or previously conducted.

3. None of the processes, methodologies, trade secrets, research and development results, and other know-how included in the Intellectual Property, to the extent the value of which is contingent upon maintenance of the confidentiality thereof, has been disclosed by the Seller to any person other than to employees or contractors of the Seller who are parties to customary confidentiality or non-disclosure agreements with the Seller.

4. Except as otherwise set forth in Schedule 4.1(E)(4), Seller has not conveyed, transferred, given any security interest in, or otherwise transferred or encumbered any of the Intellectual Property to any party other than to the Purchaser pursuant to the Transfer. By means of the Transfer, Seller is conveying all of its rights and interest in and title to the Intellectual Property.

5. In the Seller's reasonable judgment, all necessary registration, maintenance and renewal fees due in connection with the Intellectual Property have been paid, and all necessary documents, recordations and certificates in connection with the Intellectual Property have been timely filed with the relevant patent, copyright, trademark or other authorities in the United States or foreign jurisdictions, as the case may be, for the purposes of prosecuting or maintaining the Intellectual Property in the jurisdictions chosen by Seller. No interference, opposition, reissue, reexamination or other similar proceeding is pending in which any Intellectual Property is being contested or challenged. Except as set forth on Schedule 4.1(H), there are no actions that must be taken within six months of the Closing, including the payment of any registration, maintenance or renewal fees or the filing of any documents, applications or certificates, for the purposes of maintaining, perfecting, preserving or renewing any item of Intellectual Property.

I. Litigation. There are no Legal Proceedings pending or, to the Knowledge of the Seller, threatened against the Seller or any of their Affiliates and pertaining to the Business, including without limitation any legal proceeding that seeks to enjoin or obtain damages in respect of the consummation of the transactions contemplated by this Agreement or any other Closing Document. There is no Legal Proceeding pertaining to the Seller's Business (including employees) that the Seller, or any Affiliate of the Seller, has initiated or intends to initiate. There are no claims against Seller, or any Affiliate of the Seller, Business pending, or to the Knowledge of the Seller, threatened alleging that any Products sold are defective or fail to meet any warranties. Neither the Seller, nor any affiliate of the Seller, have incurred liability arising out of any injury to individuals as a result of the marketing, distribution or sale of any Product. The Seller has not been notified of any inquiry or investigation made in respect thereof by any Governmental Authority.

J. Compliance With Laws.

1. General. The Seller is not in default with respect to any Order pertaining to the Business. The Business is and at all times has been operated in material compliance with all applicable Laws.

2. Domestic and Foreign Regulatory Compliance. A true and complete list of all territories and countries where each Product is approved, cleared or registered for sale and in which Seller sold or distributed Products directly to customers, and to the best of its Knowledge, in which Seller sold or distributed through distributors or similar third parties is attached hereto as Schedule 4.1(J)(1), indicating the full name of the party that holds the approval, clearance or registration. Except as is set forth in Schedule 4.1(J)(1), Seller represents that it has complied in all material respects with all applicable requirements in all countries and territories in which Seller sold or distributed Products directly to customers or to distributors or similar third parties, pertaining to the Seller of: (1) the United States Food and Drug Administration ("FDA"); (2) each of the applicable regulatory bodies in those member states of the European Union in which the Seller has sold or distributed Products, directly; and (3) each of the applicable regulatory bodies of any territory of country listed on Schedule 4.1(J)(1) (each, a "Third Country"), including without limitation in each case as applicable:

(i) all applicable FDA pre-market clearance ("510(k)") or pre-market approval ("PMA") requirements set forth in 21 C.F.R. §§ 807, 814; all applicable CE-MDD marking requirements set forth in 93/42/EEC; the Medical Device Directive, as implemented in each member country (the "MDD"), and any similar requirement set forth in the laws or regulations of any Third Country; including, in each case, the requirement to obtain a new clearance or approval for modifications to existing Products;

(ii) all applicable FDA export requirements of the Federal Food, Drug and Cosmetic Act, as amended (the "FDC Act"), codifed at 21 U.S.C. §§ 381, 382.

(iii) all applicable establishment registration and device listing requirements set forth in 21 C.F.R. § 807; in the MDD or in the laws or regulations of any Third Country;

(iv) all applicable design, manufacturing and testing requirements set forth in 21 C.F.R. § 820; in the MDD or in the laws or regulations of any Third Country;

(v) all applicable complaint handling requirements set forth in 21 C.F.R. § 820.198; in the MDD or in the laws or regulations of any Third Country; including without limitation the record keeping and investigation requirements thereof;

(vi) the medical device reporting requirements set forth in 21 C.F.R. § 803; the adverse event reporting requirements set forth in the MDD and any similar requirements set forth in the laws or regulations of any Third Country; and

(vii) the removal and corrections requirements set forth in 21 C.F.R. § 806; in the MDD or in the laws or regulations of any Third Country.

There have been no recalls, field notifications, alerts or seizures requested or threatened relating to the Products or the Business on or after January 1, 2015.

The Seller has provided to the Purchaser true and complete copies of all 510(k) clearance or approval letters received by the Seller from the FDA in connection with the Business and provided the Purchaser with access to all related documents and information, including device master files. The Seller has provided to the Purchaser true and complete copies of all European Union notified body's certifications and all approvals and registrations from the Third Countries relating to the Business in which the Seller has sold or distributed Products directly.

The Seller has provided to the Purchaser, on Schedule 4.1(J)(2) a true and complete complaint log including information on all medical device reports, complaints, corrective actions, malfunctions, adverse event reports and the like with respect to the Business received by Seller on or after January 1, 2015 and before September 13, 2018. There is no safety, quality or efficacy issue with regard to the Products that would reasonably be expected to materially or substantially impair the ability of the Purchaser to successfully market and sell the Products. All manufacturing operations of the Business have been, and are being, conducted in material compliance with applicable good manufacturing processes and quality systems regulations, and all manufacturing and testing processes are sufficiently documented to permit such material compliance.

Schedule 4.1(J)(3) and the instructions for use set forth the forms of the Seller's warranties that are generally currently applicable to the Products. Each Product sold by the Seller prior to the Closing Date has been sold in conformity in all material respects with all applicable regulatory requirements. There are no existing or, to Seller's Knowledge, threatened, claims against Seller that the Products fail to meet any product warranties. The Seller has not incurred liability arising out of any injury to individuals as a result of the ownership, possession, or use of any Product and, to Seller's Knowledge, there has been no inquiry or investigation made in respect thereof by any Governmental Entity.

K. Direct vs. Indirect Sales. Schedule 4.1(K) accurately identifies each and every country or territory into which sales of Products have been made from January 1, 2016 through June 30, 2018 and the nature of such sales as (i) direct from the Seller or one of its Affiliates to customers or (ii) to a distributor or sales agent. Seller has the legal right to remove the Products from the Excluded Commitments and to cease supplying Products to distributors with no contract, subject to its and Purchaser's compliance with contractual notice periods, to the extent applicable.

L. Suppliers. A true and complete list of all raw material suppliers to the Seller in connection with the Business, together with available contact information and pricing for each component sold to the Seller, is attached hereto as Schedule 4.1(L). The Seller has no Knowledge of any condition, event or occurrence that could reasonably be anticipated to have a Materially Adversely Effect, after the Closing, the supply of materials or provision of services to the Business by any third party.

M. Insurance Policies. Schedule 4.1(M) accurately lists all policies of insurance covering the Products or the Business currently maintained by the Seller. All such insurance is in full force and effect, and no premiums thereon are due and unpaid. No notice of cancellation or termination has been received by the Seller with respect to any such policy of insurance, no claim is currently reserved or, to the Knowledge of the Seller, should be reserved under any policy of insurance with respect to the Products or the Business.

N. Certain Sales. The Seller does not manufacture, and since July 1, 2017 has not manufactured, any Products as an original equipment manufacturer for any third party other than CR Bard. Sales to CR Bard for the twelve months ended August 30, 2018 were approximately $387,000. Administrative fees paid to group purchasing organizations by Seller on sales of Products by Seller to group purchasing organizations' members from January 1, 2018 through September 18, 2018 were approximately $1,840 and in 2017 were approximately $2,600.

O. Inventory. A true and complete aged list of the sterilized finished goods Inventory as of the Closing Date, reported separately by product line, giving model or other identifying number, is attached hereto as Schedule 4.1(O). The Inventory consists of solely of items that (i) are of a quantity and quality usable and saleable in the ordinary course of the Business, (ii) have at least twenty-four (24) months remaining shelf life for Product with five (5) years total shelf life and eighteen (18) months of remaining shelf life for Products with three (3) years total shelf life, and (iii) are not opened, damaged, obsolete, or faulty. The Inventory does not consist of any items held on consignment. The Seller has no Knowledge of any condition, event or occurrence that could reasonably be anticipated to have a Materially Adverse Effect, after the Closing, the supply of Inventory or any components thereof by any third party.

P. Customers. A true and complete list of all customers purchasing Products directly from Seller or its Affiliates during the period from January 1, 2016 through September 14, 2018, with ship to addresses, is attached hereto as Schedule 4.1(P). Schedule 4.1(P)(2) is the most recent sales trace provided to Seller by Medline Industries, Inc. Seller has not received notice from, and is not otherwise aware that, any such customer of the Business intends to stop purchasing Products. A true and complete list of all available pricing information by direct customers and SKU as of September 14, 2018 is provided to Purchaser as 4.1(P) Current Pricing Europe.xlsx and 4.1(P) US Pricing.xlsx.

Q. Brokers' Fees. The Seller has made no agreement or taken any other action that will cause the Purchaser to become obligated for any broker's or other fee or commission as a result of any of the transactions contemplated by this Agreement. Any broker's fee incurred by the Seller shall be paid by the Seller.

R. Disclosure. The representations and warranties contained in this Section 4.1 and in the Closing Documents delivered by the Seller pursuant to this Agreement do not contain any untrue or misleading statement of fact or omit to state any material fact necessary in order to prevent the statements and information contained therein from being false or misleading.

S. Disclaimer Regarding Estimates, Projections, and Sales Data. In connection with the Purchaser's investigation of Seller, the Purchaser has received certain future estimates, forecasts, plans and financial projections, as well as past Product sales data, including as a part of the Assets. The Purchaser acknowledges that there are uncertainties inherent in attempting to make such future estimates, forecasts, plans and

projections, that Purchaser is familiar with such uncertainties, that Purchaser is taking full responsibility for making its own evaluation of the adequacy and accuracy of all estimates, forecasts, plans and projections so furnished to it (including the reasonableness of the assumptions underlying such estimates, forecasts, plans and projections), that Purchaser understands that past Product sales data provided by Seller does not provide any guaranties, representations, or warranties regarding future levels of sales of Product. Accordingly, Seller does not make any representation or warranty with respect to such future estimates, forecasts, plans, projections (including any such underlying assumptions).

T. WARRANTY DISCLAIMER. EXCEPT AS EXPRESSLY PROVIDED IN THIS AGREEMENT, SELLER MAKES NO WARRANTY OR REPRESENTATION AS TO THE ASSETS, AND PURCHASER AGREES THAT, SELLER EXPRESSLY DISCLAIMS ANY AND ALL WARRANTIES OF ANY KIND WHATSOEVER, INCLUDING WITHOUT LIMTIATION EXPRESS, IMPLIED, AND STATUTORY WARRANTIES, AND WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE.

Section 4.2. Representations and Warranties by the Purchaser. The Purchaser represents and warrants to the Seller that:

A. Existence and Qualification of the Purchaser; Due Execution, Etc. The Purchaser is a corporation duly organized, validly existing and in good standing under the Laws of the state of Delaware and has all requisite corporate power and authority to execute, deliver and perform this Agreement and the Closing Documents to be executed by it and to consummate the transactions contemplated hereby and thereby. The execution and delivery of this Agreement and the Closing Documents to be executed by the Purchaser and the consummation by the Purchaser of the transactions contemplated hereby and thereby have been duly authorized by all requisite corporate action and, assuming the due execution of this Agreement by the Seller, this Agreement and the Closing Documents to be executed by the Purchaser constitute valid and binding obligations of the Purchaser enforceable against it in accordance with their respective terms, subject only to applicable bankruptcy, insolvency, reorganization, moratorium or other similar Laws relating to creditors' rights generally and to general principles of equity (regardless of whether such enforcement is considered in a proceeding at law or in equity).

B. No Violation. Neither the execution or delivery by the Purchaser of this Agreement or the Closing Documents to be executed by the Purchaser nor the consummation of the transactions contemplated hereby or thereby: (i) violates or will violate any Law or Order applicable to the Purchaser; (ii) conflicts or will conflict with, results or will result in a breach of or default under the charter, bylaws or other organizational document of the Seller of the Purchaser; or (iii) conflicts with any agreement, contract or other instrument to which the Purchaser is a party. No consent, authorization, or approval from, or registration or filing with, any Governmental Entity or other third party (not obtained or made as of the date hereof) is required to be obtained or made by or with respect to the Purchaser in order to perform its obligations or exercise its rights under this Agreement.

C. Funds. The Purchaser has sufficient funds to ensure timely payment in full of the Purchase Price in accordance with this Agreement.

D. Litigation. There is no action, litigation, suit, claim, investigation, proceeding or administrative action pending or, to the Purchaser's Knowledge, threatened against the Purchaser, or seeking to restrain or prohibit the Purchaser from entering into this Agreement or to prohibit the Closing or the performance of any other obligation hereunder that, if adversely determined, would have a material adverse effect on the Purchaser's ability to perform its obligations hereunder.

ARTICLE V
Certain Covenants.

Section 5.1. Warranty and Insurance Obligations.

A. Warranty. The Seller shall be responsible for all customer warranties with respect to (i) the Inventory and (ii) all Products manufactured or sold by the Seller prior to the Closing Date and in each case shall timely perform such warranty services at its own cost. The Purchaser will reasonably cooperate with the Seller at the Seller's expense in the handling of any warranty claims for the Inventory and such Products.

B. Insurance. The Seller shall, at its sole cost and expense, obtain and carry in full force and effect for the three (3) year period following the Closing Date, insurance in respect of the manufacture, promotion, and sale of all Products prior to the Closing Date and to cover any tangible Assets owned by the Purchaser to the extent remaining in possession of the Seller until delivered to the Purchaser in accordance with the Transition Services Agreement, in the amount of at least One Million U.S. Dollars (US$1,000,000) for each accident or occurrence and Two Million U.S. Dollars (US$2,000,000) in the aggregate, and name the Purchaser as an additional insured. Such insurance policies required under this section shall be maintained with a reputable insurance carrier or through self-insurance, provided Seller continues to be investment grade determined by reputable financial rating agencies.

Section 5.2. Cooperation Regarding Taxes; Seller Tax Returns. The obligations set forth in this Section 5.2 are Seller's sole and exclusive obligations with respect to Tax matters related to this Agreement. From and after the Closing, the Seller will use commercially reasonable best efforts to make available to the Purchaser, upon written request and with the Purchaser bearing responsibility for all of its out-of-pocket expenses therefor, the Seller's personnel or representatives under the Seller's control whose assistance or participation is reasonably required by the Purchaser in anticipation of, or preparation for, existing or future Legal Proceedings, Tax Return preparation, audits or other matters in which the Purchaser or any of its Affiliates is involved and that is related to the transactions under this Agreement. The parties will reasonably cooperate

in the conduct of any Tax audit, claim for refund of Taxes or similar proceedings involving or otherwise relating to any of the Assets or the parties (or the income therefrom or assets thereof). The Seller will prepare and file or cause to be prepared and filed all Tax Returns for the Seller that are required to be filed with respect to the Seller through the Closing Date. The Seller will pay or cause to be paid all Taxes required to be paid with respect to such Tax Returns. The Seller will pay all Taxes arising with respect to the Seller (or, if applicable, reimburse the Purchaser for the payment of such Taxes) attributable to taxable periods before that Closing Date but ending on or before the Closing Date or with respect to the allocable portion of any taxable period that includes but does not end on the Closing Date. The Purchaser will prepare and file or cause to be prepared and filed all Tax Returns for the Purchaser that are required to be filed with respect to the Purchaser after the Closing Date. The Purchaser will pay or cause to be paid all Taxes required to be paid with respect to such Tax Returns. The Purchaser will pay all Taxes arising with respect to the Purchaser (or, if applicable, reimburse the Seller for the payment of such Taxes) attributable to taxable periods after the Closing Date but starting before the Closing Date or with respect to the allocable portion of any taxable period after the Closing Date. For purposes of this Agreement, (i) "Tax" or "Taxes" includes all federal, state, local, foreign and other taxes, assessments, or governmental charges of any kind whatsoever including, without limitation, income, franchise, capital stock, excise, property, sales, use, service, service use, leasing, leasing use, gross receipts, value added, single business, alternative or add-on minimum, occupation, real and personal property, stamp, workers' compensation, severance, windfall profits, customs, duties, disability, registration, estimated, environmental (including Taxes under Internal Revenue Code Section 59A), transfer, payroll, withholding, employment, unemployment and social security taxes, or other taxes of the same or similar nature, together with any interest, penalties or additions thereon and estimated payments thereof, whether disputed or not, (ii) "Tax Return" or "Tax Returns" includes all returns, reports, information returns, forms, declarations, claims for refund, statements and other documents (including any amendments thereto and including any schedule or attachment thereto) in connection with Taxes that are required to be filed with a Governmental Entity or other tax authority, or sent or provided to another party under applicable Law, and (iii) all citations of the Internal Revenue Code of 1986, as amended, or to the treasury regulations promulgated thereunder in this Agreement shall include any amendments or successor provisions thereto.

Section 5.3. Further Assurances. Each party agrees that at or subsequent to the Closing, upon the written request of the other party, it will promptly execute and deliver or cause to be promptly executed and delivered any further assignment, instruments of transfer, bills of sale or conveyances, and shall otherwise cooperate with the other party, all to the extent reasonably necessary or desirable to vest fully in the Purchaser all of the Seller's right, title and interest in and to the Assets or to otherwise confirm the transactions contemplated hereby, including without limitation any filings or correspondence with any regulatory agency, notified body or other person regarding Approvals, product recalls, adverse event reports and the like. The Seller also agrees that it shall, at the reasonable request of the Purchaser, use commercially reasonable efforts to enforce (a) the terms of any confidentiality, non-disclosure or non-competition agreement

between the Seller and any third party and (b) any provisions relating to confidentiality, non-disclosure or non-competition contained in any other agreement to which the Seller is party, to the extent related to the Business, in each case if the Purchaser is harmed, or has a reasonable expectation of harm, due to the breach or potential breach of any such agreement or provisions by a third party.

Section 5.4. Restrictive Covenants.

A. Covenant Not to Compete or Disparage. The Seller agrees that for a period of five (5) years commencing on the Closing Date (the "Restricted Period"), neither the Seller nor any corporate entity Affiliate of the Seller will, directly or indirectly, own, manage, operate, finance, join, or control, or participate in the ownership, management, operation, financing or control of, or be associated as a partner, lender, investor or representative in connection with, or appoint any director, manager or other representative of, any profit or not-for-profit business or enterprise that: (i) engages in any Competitive Activity, or (ii) disparages the Purchaser, the Business or the Products in any way. "Competitive Activity" shall mean the design, manufacture, sale or distribution of any of the Products, any products similar in design, form or function to the Products and are used in clot management in the vascular field. Notwithstanding the foregoing, Seller and Purchaser understand and agree that Seller will continue to engage in the design, manufacture, sale or distribution of device products that are not Products, including but not limited to the products set forth on Schedule 5.4(A) and products similar thereto, and solely in connection therewith may perform all related processes, including without limitation, the processes set forth in Schedule 5.4(A)(2), and the foregoing shall not be a breach of this Section 5.4A. To that end, the Seller shall be retaining the excluded equipment set forth in Schedule 5.4(A). Seller may also, in its sole discretion, repurchase equipment and supplies similar to or identical to the equipment and supplies included in the Assets, except to engage in any Competitive Activity. Notwithstanding anything to the contrary contained in this Agreement, Seller may sell Products designated as model numbers CHO-040-4F and CHO-040-6F to Premier Healthcare Alliance, L.P. members solely for the purpose of fulfilling Seller's contractual obligations to Premier Healthcare Alliance, L.P. through December 1, 2018.

The Purchaser agrees that during the, Restricted Period Purchaser will not disparage the Seller, Business or the Products in any way.

Notwithstanding the foregoing, this Section 5.4(A) shall not prohibit or restrict the ability of the Seller or its Affiliates to beneficially own 10% or less of the outstanding stock of any company engaging in Competitive Activity.

B. Non-Solicitation; Non-Disclosure; Non-Interference. The Seller shall not (a) at any time during the Restricted Period directly or indirectly solicit, induce or attempt to induce to enter the employ of the Seller any employees of the Purchaser or (b) at any time after the Closing directly or indirectly divulge, or permit to be divulged to others, or use in any way any Proprietary Information. As used herein, the term "Proprietary Information" shall mean all confidential information concerning the Purchaser, the

Business and the Assets, including client and customer lists, trade secrets, data, information, documents, inventions, developments, or forms owned or used by the Seller (on or prior to the Closing Date) included in the Assets transferred to the Purchaser pursuant to this Agreement, whether or not any of the foregoing is published or unpublished, protected or susceptible to protection under patent, trademark, copyright or similar laws and whether or not any party has elected to secure or attempted to secure such protection; provided however, that the Seller may disclose any Proprietary Information solely to the extent and in the circumstances reasonably (i) needed to be disclosed to a court of competent jurisdiction in order for the Seller to pursue any claim against the Purchaser hereunder; (ii) required to be disclosed by a court of competent jurisdiction; or (iii) required by Law to be disclosed to a Governmental Entity; provided, however, that the Seller provides to the Purchaser reasonable advance opportunity to seek *in camera* or other protection with respect to such disclosure. Except as set forth expressly herein, the Seller will not, whether on its own behalf or on behalf of any of its Affiliates or in conjunction with any Person, intentionally directly or indirectly interfere with the business relationship that the Purchaser has or may have with any non-distributor customer or supplier to the Business. The Purchaser shall not at any time during the Restricted Period directly or indirectly solicit, induce or attempt to induce to enter the employ of the Purchaser any employees of the Seller. The foregoing non-solicitation obligations shall not apply to general advertisements for employment.

C. Equitable Relief. The Seller and the Purchaser each acknowledge that any breach of the covenants contained in Section 5.4(A) and (B) would likely cause an irreparable injury to the non-breaching party and that damages and remedies at law for any breach of any such covenant would be inadequate. The Seller and the Purchaser each acknowledge that, in addition to any other remedies available to the non-breaching party, the non-breaching party shall, without the necessity of proving actual damages or posting any bond or other security, be entitled to seek injunctive relief and other equitable relief to prevent a breach of any such covenant.

D. Judicial Determinations. It is the desire and intent of the parties to this Agreement that the provisions of this Section 5.4 be enforced to the fullest extent permissible under the Laws and public policies applied in each jurisdiction in which enforcement is sought. If any particular provision or portion of this Section 5.4 shall be adjudicated to be invalid, ineffective or unenforceable, this Section 5.4 shall be deemed automatically amended to delete therefrom such provision or portion adjudicated to be invalid, ineffective or unenforceable, such amendment to apply only with respect to the operation of such provision in the particular jurisdiction with respect to which adjudication is made.

Section 5.5. Discharge of Liabilities. Without limiting the provisions of Section 3.2 or 6.1 hereof, the Seller acknowledges that it is retaining all Excluded Liabilities. The Seller hereby agrees and covenants that it shall, at all times following Closing, perform, pay or discharge, to the extent not theretofore performed, paid or discharged, any and all Excluded Liabilities. All excise, sales, use, transfer and all other Taxes incurred in connection with the sale of the Assets shall be borne fifty percent (50%) each by the Seller and Purchaser.

Section 5.6. Customer Transition. In order to facilitate the proper payment of invoices and the submission of new orders following the Closing Date, and to provide otherwise for a smooth transition of the Seller's Business, the Purchaser and the Seller shall cooperate in the introduction of the Purchaser by Seller to customers of the Business, at the Purchaser's option, and will direct customers to submit new orders for Products and to make payments to the Purchaser for Product shipped after the Closing Date. The Seller and Purchaser acknowledge that it may receive payments intended for the other. To the extent that a party receives any payments that should have been paid to the other party, the receiving party shall promptly (and in any event no later than three (3) Business Days thereafter) pay over to the other party the amount of such payments. For a period of twelve (12) months following the Closing Date, the Seller and its Affiliates shall immediately forward by email to the Purchaser all Product orders received from any customer. Seller shall send or email a joint letter to customers regarding the transition of Product to Purchaser, the content of which letter shall be agreed by Seller and Purchaser.

Section 5.7. Reserved.

Section 5.8. Transfer of Books and Records. The Seller shall take all commercially reasonable efforts to ensure that all records of the Seller, to the extent constituting Assets, are provided to the Purchaser at Closing or as quickly thereafter as is practicable.

Section 5.9. Allocation of Purchase Price. The Seller and the Purchaser agree to use commercially reasonable efforts to agree upon the allocation of the consideration payable hereunder amongst the Assets within a reasonably prompt period following the Closing. The Seller and the Purchaser agree that their respective tax returns (including IRS Form 8594 – Asset Acquisition Statement) relating to the Transfer of the Assets hereunder will be consistent with such allocation.

Section 5.10. Public Statements. The parties shall consult with each other before issuing any press release, public announcement, or other public disclosure with respect to this Agreement or the transactions contemplated hereby, and no party shall issue any press release, public announcement, or other public disclosure regarding the Agreement prior to obtaining the other party's prior approval, except that no such approval shall be necessary to the extent disclosure may be required by applicable Law or the rules of any stock exchange in the opinion of its counsel. In the event a party is, in the opinion of its counsel, required to make the press release, public announcement or public disclosure, such party shall submit the release, announcement or disclosure in writing to the other party prior to issuing the press release or making the public announcement or public disclosure. The Seller acknowledges that the Purchaser may be required to file this Agreement and one or more of the Closing Documents with the United States Securities and Exchange Commission.

Section 5.11. Use of Seller Name. The Purchaser shall be permitted to use the Seller's trademarks not included in the Assets following the Closing Date solely in good faith in connection with: (i) the sale of Inventory sold to the Purchaser by the Seller pursuant to this Agreement, and (ii) the sale of any Product during the period between the Closing Date and the date that the Purchaser has made all necessary filings, and has received all necessary licenses, clearances, approvals and registrations, to sell such Product under the Purchaser's name and address; provided, that the Purchaser shall use diligent efforts to accomplish such activities as soon as possible after Closing. Except as permitted in writing by the Seller (including with respect to the latis trademark) and as provided by Seller, the Purchaser shall not adopt, use, or register any trademark, service mark, logo, name or similar intellectual property that is not an Asset, or any confusingly similar words or symbols, as part of Purchaser's own name or the name of any of its affiliates or the name of any of the products Purchaser markets, other than the use of such marks in connection with the labeling of the Inventory or as otherwise expressly permitted hereunder.

Section 5.12. Reserved.

Section 5.13. Reserved.

Section 5.14. Distributors. The Seller, in consultation with the Purchaser, shall be responsible for notifying the distributors listed on Schedule 5.14 (the "OUS Distributors"), who distribute Product outside of the United States on Seller's behalf as of the Closing Date, immediately following the Closing, of the termination of their rights to distribute the Products subject to the conditions in the applicable agreement and laws. To the extent that any payments are necessary to any OUS Distributor to ensure a smooth transition of the Business, including to obtain customer lists or cooperation in transferring Product registrations, then the Purchaser shall each bear 100% of the cost of such payments.

ARTICLE VI
Indemnification; Survival of Representations and Warranties and Covenants.

Section 6.1. Indemnification by Seller. The Seller hereby agrees to defend, hold harmless and indemnify the Purchaser and its Affiliates and their respective employees, officers, directors, stockholders, partners and representatives ("Purchaser Parties") from and against any actual damages or losses, assessments, claims, costs and expenses (including without limitation reasonable attorneys' fees and disbursements) to the extent arising out of:

A. any misrepresentation in, breach of or failure to comply with, any of the representations, warranties, covenants or agreements of the Seller contained in this Agreement, including without limitation in the Disclosure Schedule, or in any other Closing Document or in any certificate or other instrument or document furnished or to be furnished by the Seller or its Affiliates pursuant to this Agreement or any of the Closing Documents or in connection with the transactions contemplated hereby or thereby;

B. any Excluded Liabilities and any other Liabilities of the Seller or its Affiliates or the Business, other than the Assumed Liabilities;

C. any recalls or replacements requested or required by any competent Governmental Entity or otherwise deemed appropriate by mutual agreement of the Seller and the Purchaser related to any Product manufactured, sold or distributed prior to the Closing;

D. any claim, demand, action or proceeding initiated by any third party based upon infringement of a patent, trademark, copyright or trade secret, or similar intellectual property rights as a result of Seller's use or practice of the Intellectual Property or conduct of the Seller's Business;

E. any negligent or fraudulent act or omission or willful misconduct of the Seller or its employees, agents or representatives in the performance of this Agreement; and

F. without limiting the generality of the preceding clauses, any Taxes attributable to the Seller's Business for all periods prior to Closing, and all other Taxes of the Seller or its Affiliates, in each case regardless of whether such losses, assessments, Liabilities, claims, damages, costs and expenses, or the facts or circumstances relating thereto, were disclosed hereunder or in the Disclosure Schedule or otherwise; and

G. any claim, demand, action or proceeding initiated by any third party shareholder based on Seller's entering into this Agreement or consummating the transactions set forth herein.

All such losses, assessments, liabilities, claims, damages, costs and expenses so arising out of or relating to any of the foregoing clauses (A) through (F), inclusive, of this Section 6.1, or the matters described therein, are referred to hereinafter as the "Purchaser's Losses."

Section 6.2. Indemnification by the Purchaser. The Purchaser hereby agrees to defend, hold harmless and indemnify the Seller and its Affiliates and their respective employees, officers, directors, stockholders, partners and representatives ("Seller Parties") from and against any losses, assessments, Liabilities, claims, damages, costs and expenses (including without limitation reasonable attorneys' fees and disbursements) to the extent arising out of:

A. any misrepresentation in, breach of or failure to comply with, any of the representations, warranties, covenants or agreements of the Purchaser contained in this Agreement or in any other Closing Document or in any certificate or other instrument or document furnished or to be furnished by the Seller pursuant to this Agreement or any of the Closing Documents or in connection with the transactions contemplated hereby or thereby;

B. the Purchaser's failure, following the Closing, to perform, pay or discharge in accordance with their respective terms, the Assumed Liabilities (collectively, the "Seller's Losses");

C. any Assumed Liabilities and any other Liabilities of the Purchaser or its Affiliates or the Business, other than the Excluded Liabilities;

D. any recalls or replacements requested or required by any competent Governmental Entity or otherwise deemed appropriate by mutual agreement of the Seller and the Purchaser related to any Product manufactured by Purchaser after the Closing;

E. any claim, demand, action or proceeding initiated by any third party based upon infringement of a patent, trademark, copyright or trade secret, or similar intellectual property rights as a result of Purchaser's conduct of the Purchaser's Business;

F. any negligent or fraudulent act or omission or willful misconduct of the Purchaser or its employees, agents or representatives in the performance of this Agreement;

G. any claim, demand, action or proceeding initiated by any third party shareholder based on Purchaser's entering into this Agreement or consummating the transactions set forth herein; and

H. without limiting the generality of the preceding clauses, any Taxes attributable to the Purchaser's Business for all periods after Closing, and all other Taxes of the Purchaser or its Affiliates.

Section 6.3. Survival of Representations and Warranties. The representations, warranties, covenants and agreements contained in this Agreement shall survive the Closing.

Section 6.4. Procedures.

A. In the event that any Legal Proceeding shall be threatened or instituted in respect to which indemnification may be sought by one party hereto from another party under the provisions of this Article 6, the party seeking indemnification ("Indemnitee") shall, reasonably promptly after acquiring actual knowledge of such threatened or instituted Legal Proceeding, cause written notice in reasonable detail of such threatened or instituted Legal Proceeding covered by this indemnification, to be forwarded to the other party from which indemnification is being sought ("Indemnitor"); provided, however, that the failure to provide such notice as of any particular date as aforesaid will not affect any rights to indemnification hereunder, except to the extent, and only to such extent, that such failure to provide such notice actually and materially prejudices the

Indemnitor's ability to adequately defend such Legal Proceeding. In the case of any Loss not involving a Legal Proceeding, the Indemnitee shall, reasonably promptly after acquiring actual knowledge of such Loss, cause written notice in reasonable detail of such Loss covered by this indemnification, to be forwarded to the Indemnitor; provided, however, that the failure to provide such notice as of any particular date as aforesaid will not affect any rights to indemnification hereunder.

B. In the event of the initiation of any Legal Proceeding against an Indemnitee by a third party, the Indemnitor shall have the absolute right after the receipt of the notice described in Section 6.4(A), at its option and at its own expense, to be represented by counsel of its choice, and (subject to Section 6.4(C)) to defend against, negotiate, settle or otherwise deal with any Legal Proceeding or demand that relates to any Purchaser's Losses or Seller's Losses, as the case may be, indemnified against hereunder, and, in such event, the Indemnitee will reasonably cooperate with the Indemnitor and its representatives in connection with such defense, negotiation, settlement or dealings (and the Indemnitee's costs and expenses arising therefrom or relating thereto shall constitute Purchaser's Losses, if the Indemnitee is the Purchaser, or Seller's Losses, if the Indemnitee is the Seller); provided, however, that the Indemnitee may directly participate in any such Legal Proceeding so defended with counsel of its choice at its own expense. However, if the Indemnitor fails to take reasonable steps necessary to defend diligently such third party claim within 10 Business Days after receiving written notice from the Indemnitee that the Indemnitee reasonably believes the Indemnitor has failed to take such steps or if the Indemnitor has not undertaken fully to indemnify the Indemnitee in respect of all such Purchaser's or Seller's Losses, as the case may be, relating to the matter and as required hereunder, the Indemnitee may assume its own defense, and, in such event (a) the Indemnitor will be liable for all Purchaser's or Seller's Losses, as the case may be, reasonably paid or incurred in connection therewith, and (b) the Indemnitor shall, in any case, reasonably cooperate, at its own expense, with the Indemnitee and its representatives in connection with such defense.

C. Without the prior written consent of the Indemnitee, which shall not be unreasonably withheld, the Indemnitor will not enter into any settlement of any third party claim that would lead to liability or create any financial or other obligation on the part of the Indemnitee for which the Indemnitee is not entitled to indemnification hereunder or which would otherwise adversely affect the Indemnitee, the Assets or the Business.

D. An Indemnitee shall use commercially reasonable efforts to pursue and collect any amounts payable under insurance policies on account of Purchaser's Losses (if the Indemnitee is the Purchaser) or Seller's Losses (if the Indemnitee is the Seller), but only if doing so will not result in (a) an increase in premiums due then or in the future to procure comparable insurance or an increase in deductibles; or (b) a decrease in the levels of insurance or a change in the risks insured against; or (c) prejudice to the Indemnitee's claims or rights to indemnification hereunder.

E. After any final judgment or award shall have been rendered by a Governmental Entity of competent jurisdiction, or a settlement shall have been consummated, or the Indemnitee and the Indemnitor shall have arrived at a mutual agreement with respect to each separate matter alleged to be indemnified by the Indemnitor hereunder, the Indemnitee shall forward to the Indemnitor notice of any sums due and owing by it with respect to such matter, and the Indemnitor shall pay all of the sums so owing to the Indemnitee by wire transfer or certified or bank cashier's check within 10 Business Days after the date of such notice. Any and all Purchaser's Losses or Seller's Losses, other than those described in the preceding sentence (including Purchaser's Losses or Seller's Losses incurred in the absence of any threatened or pending Legal Proceeding, or Purchaser's Losses or Seller's Losses incurred after any such Legal Proceeding has been threatened or instituted but prior to the rendering of any final judgment or award in connection therewith), shall be paid by the Indemnitor on a current basis, and, without limiting the generality of the foregoing, the Indemnitee shall have the right to invoice the Indemnitor for such Purchaser's Losses or Seller's Losses, as the case may be, as frequently as it deems appropriate, and the amount of any such Purchaser's Losses or Seller's Losses, as the case may be, which are described or listed in any such invoice shall be paid to the Indemnitee, by wire transfer or certified or bank cashier's check, within 10 Business Days after the date of such invoice. Notwithstanding the foregoing, the Purchaser's claims for indemnification pursuant to this Article 6 shall be satisfied first from the Holdback Amounts and then, to the extent those funds are insufficient to pay all such claims, directly by the Seller pursuant to this Section 6.4.

F. To the maximum extent permitted by law, it is the intention of the parties to treat any indemnity payment made under this Agreement as an adjustment to the Purchase Price.

G. This Article 6 shall survive the Closing and shall thereafter remain in full force and effect.

ARTICLE VII
Miscellaneous.

Section 7.1. Entire Agreement. This Agreement (including the Disclosure Schedule) together with all other Closing Documents (i) supersedes any other prior or contemporaneous agreement, understanding, promise, representation or express or implied commitment or obligation, whether written or oral, that may have been made or entered into by any party or any of their respective Affiliates (or by any director, officer or representative thereof) with respect to the subject matter hereof and (ii) constitutes the entire agreement of the parties hereto with respect to the matters provided for herein. Any other agreements, promises, representations, or assurances made by either party to this Agreement or entered into by the parties hereto on or before the date of this Agreement, whether oral or written, relating to the subject matter of this Agreement are of no force or effect. No investigation or receipt of information by or on behalf of the Purchaser will diminish or obviate any of the representations, warranties, covenants or agreements of the Seller under this Agreement or the conditions to obligations of the Purchaser under this Agreement.

Section 7.2. Amendments. No amendment, modification or alteration of the terms or provisions of this Agreement shall be binding unless the same shall be in writing and duly executed by the Purchaser and the Seller.

Section 7.3. Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the parties hereto, and their respective successors and permitted assigns. This Agreement may not be assigned by the Purchaser or the Seller, including without limitation by operation of law, without the prior written consent of the other party; provided, however, that any such assignment by the Purchaser or Seller shall not relieve it of its obligations hereunder. For purposes of this Section 7.3, the term "assignment" shall include the consolidation or merger of a party with and into a third party or the sale of all or substantially all of the assets or business of a party. Any attempted assignment in violation of this Section 7.3 shall be null and void.

Section 7.4. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original for all purposes and all of which together shall constitute one and the same instrument.

Section 7.5. Headings and Section References. The headings of the sections and paragraphs of this Agreement are included for convenience only and are not intended to be a part of, or to affect the meaning or interpretation of, this Agreement. All section references herein, unless otherwise clearly indicated, are to sections within this Agreement.

Section 7.6. No Other Warranties, Representations, Covenants or Duties. Except as expressly provided in this Agreement, the parties disclaim any express or implied warranties, representations, covenants or duties in connection herewith.

Section 7.7. Waiver. No failure or delay by either the Purchaser or the Seller in exercising any right, power or privilege hereunder shall operate as a waiver thereof; nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided are cumulative and not exclusive of any rights or remedies otherwise provided by law.

Section 7.8. Expenses. The Seller and the Purchaser shall each pay all of their own respective costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby.

Section 7.9. Notices. All notices, requests, demands, claims, and other communications hereunder shall be in writing, shall be delivered in person, by email or by a nationally recognized overnight delivery and shall be deemed given (a) when delivered in person, (b) on the business day sent by email, if sent before 5 p.m. PST on

such business day, and if sent after 5 p.m. PST, on the next business day, or (c) the business day after delivered to a nationally recognized overnight courier (postage pre-paid) for next business day delivery, in each case, at the following addresses (or at such other addresses as a Party shall designate by written notice to the other Party pursuant to this Section):

If to the Purchaser:
LeMaitre Vascular, Inc.
Attn: Legal Department
63 Second Avenue
Burlington, Massachusetts 01803
Email: legal@lemaitre.com

If to the Seller:
Applied Medical Resources Corporation
Attn: Gary Johnson
22872 Avenida Empresa
Rancho Santa Margarita, California 92688
Email: Gary@appliedmedical.com

with copies to:
Applied Medical Resources Corporation
Attn: Corporate Counsel
22872 Avenida Empresa
Rancho Santa Margarita, California 92688
Email: legalnotices@appliedmedical.com

Section 7.10. Governing Law. This Agreement and the legal relations among the parties hereto shall be governed and construed in accordance with the substantive Laws of the State of Delaware, without giving effect to the principles of conflict of laws thereof. The Parties hereby irrevocably submit to the exclusive jurisdiction of the courts located in the State of Delaware in respect of the interpretation and enforcement of the provisions of this Agreement and of the documents referred to in this Agreement, and in respect of the transactions contemplated hereby, and hereby waive, and agree not to assert, as a defense in any action, suit or proceeding for the interpretation or enforcement hereof or of any such document, that it is not subject thereto or that such action, suit or proceeding may not be brought or is not maintainable in said courts or that the venue thereof may not be appropriate or that this Agreement or any such document may not be enforced in or by such courts, and the Parties hereto irrevocably agree that all claims with respect to such action or proceeding shall be heard and determined in such a Delaware state or federal court. The Parties hereby consent to and grant any such court jurisdiction over the person of such Parties and over the subject matter of such dispute and agree that mailing of process or other papers in connection with any such action or proceeding in the manner provided herein or in such other manner as may be permitted by applicable Law, shall be valid and sufficient service thereof.

Section 7.11. Severability; Survival. If any provisions hereof shall be held by any court of competent jurisdiction to be illegal, void or unenforceable, such provisions shall be of no force and effect, but the illegality or unenforceability shall have no effect upon, and shall not impair the enforceability of, any other provision of this Agreement. Articles and Sections of this Agreement that by their nature should survive the termination, expiration, cancellation or abandonment of this Agreement for any reason, shall survive.

Section 7.12. Rights of Third Parties. Nothing expressed or implied in this Agreement is intended or will be construed to confer upon or give any person or entity other than the parties hereto and their respective successors and permitted assigns any rights or remedies under or by reason of this Agreement or any transaction contemplated hereby.

Section 7.13. Guaranty. By executing this Agreement, the Guarantor irrevocably and unconditionally guarantees to the Purchaser the due and timely performance of all present and future obligations and the payment of all present and future liabilities of the Seller under this Agreement and must on demand by the Purchaser perform any obligations if required under this Agreement and in the manner specified in this Agreement if the Seller fails to do so on the due date. The Guarantor acknowledges and agrees that each of its obligations under this Section 7.13 is a principal and continuing obligation and continues notwithstanding any amendment of this Agreement or any waiver, consent or notice given under this Agreement by the Seller.

Section 7.14. Consent to Jurisdiction. Each party agrees that, in the event such party elects to initiate litigation against the other party, such party shall, and may only, file such litigation in the state or federal courts of Delaware. Each party hereby expressly and irrevocably waives any claim or defense in any action or proceeding brought in said jurisdiction and courts based on any alleged lack of personal jurisdiction, improper venue, forum non conveniens or any similar basis.

Section 7.15. Certain Definitions and Interpretive Matters.

A. Certain Definitions. Unless the context otherwise requires, (i) the term "Affiliate" means, with respect to any person, a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, that other person, where "control" means, for purposes of the definition of "Affiliate", having direct or indirect power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities, by contract, or otherwise; (ii) "Business Day" means each day other than a Saturday, Sunday or a day upon which national banks in New York, New York are closed for ordinary domestic banking business; (iv) "Commitments" means any written agreement, contract, covenant, instrument, purchase and sales order, commitment,

undertaking, obligation, to which Seller or Seller's Affiliate is a party and material to the Business in effect as of the Closing Date; (v) "Disclosure Schedule" or "Schedules" means the Schedules attached hereto, which Schedules are incorporated herein and made a part hereof fully as if the same were herein set forth in their entirety; (vi) "Excluded Physical Assets" means the physical assets set forth in Schedule 5.4; (vii) the term "Governmental Entity" means any local, county, state, district, provincial, national or other government and any agencies, departments or instrumentalities thereof, and specifically includes any judicial or administrative body or tribunal; (viii) the term "Knowledge" means the actual knowledge of any of Gary Johnson, Matt Petrime, Jeremy Albrecht or Diona Maxon after reasonable inquiry. (ix) the term "Law" means any United States or non-United States national, state, county or local statute, law, ordinance, rule, regulation, order, judgment or ruling; (x) "Legal Proceedings" means any claim, action, suit, arbitration or judicial, administrative, investigative or other proceeding, brought by, before or under the jurisdiction of any Governmental Entity, including without limitation, lawsuits brought by third parties; (xi) "Material Adverse Effect" means any fact, circumstance, event, change or effect that is, or would reasonably be expected to be, materially adverse to the Assets or the financial condition or prospects of the Business; and (xii) "or" is disjunctive but not necessarily exclusive.

B. Interpretive Matters. No provision of this Agreement will be interpreted in favor of, or against, any of the parties hereto by reason of the extent to which any such party or its counsel participated in the drafting thereof or by reason of the extent to which any such provision is inconsistent with any prior draft hereof or thereof.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed, all as of the date first written above.

PURCHASER: LEMAITRE VASCULAR, INC.

By: /s/ David B. Roberts
Name: David B. Roberts
Title: President

SELLER: APPLIED MEDICAL RESOURCES CORPORATION

By: /s/ Gary Johnson
Name: Gary Johnson
Title: Group President

GUARANTOR: APPLIED MEDICAL CORPORATION

By: /s/ Gary Johnson
Name: Gary Johnson
Title: Group President

The schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K. Copies of these schedules will be provided to the Securities and Exchange Commission upon request. A list of those schedules appears below:

Schedules:

1.1	Products
1.2(A)(9)	Other Assets
2.3	Closing Documents
4.1(B)	Required Consents, Authorizations, Approvals, Registrations, Filings
4.1(C)	Financial Statements
4.1(D)	Ordinary Course Exceptions
4.1(E)(1)	Commitments
4.1(E)(3)	Approvals
4.1(E)(4)	Certain Commitments
4.1(F)	Assets
4.1(H)	Intellectual Property
4.1(J)(1)	Approvals and Licenses
4.1(J)(2)	Complaint Log
4.1(J)(3)	Customer Warranties
4.1(K)	Direct vs. Indirect Sales
4.1(L)	List of Suppliers
4.1(M)	Insurance Policies
4.1(O)	Inventory
4.1(P)	Customers
5.4(A)	Retained Products and Equipment; Permissible Processes
5.14	Distributors

EXHIBIT 31.1

CERTIFICATION

I, George W. LeMaitre, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of LeMaitre Vascular, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ George W. LeMaitre
George W. LeMaitre
Chairman and Chief Executive Officer
(Principal Executive Officer)

Date: November 2, 2018

EXHIBIT 31.2

CERTIFICATION

I, Joseph P. Pellegrino, Jr., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of LeMaitre Vascular, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Joseph P. Pellegrino, Jr.
Joseph P. Pellegrino, Jr.
Chief Financial Officer and Director
(Principal Accounting and Financial Officer)

Date: November 2, 2018

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, (the "*Exchange Act*"), and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), George W. LeMaitre, Chairman and Chief Executive Officer of LeMaitre Vascular, Inc. (the "*Company*"), certifies to the best of his knowledge that:

(1) The Company's Quarterly Report on Form 10-Q for the period ended September 30, 2018 (the *"Report"*) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

This certification is being provided pursuant to 18 U.S.C. § 1350 and is not deemed to be a part of the Report, nor is it to deemed to be "filed" for any purpose whatsoever.

/s/ George W. LeMaitre
George W. LeMaitre
Chairman and Chief Executive Officer
(Principal Executive Officer)
November 2, 2018

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, (the "*Exchange Act*"), and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350)**,** Joseph P. Pellegrino, Jr., Chief Financial Officer of LeMaitre Vascular, Inc. (the *"Company"*), certifies to the best of his knowledge that:

(1) The Company's Quarterly Report on Form 10-Q for the period ended September 30, 2018 (the "*Report*") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

This certification is being provided pursuant to 18 U.S.C. § 1350 and is not deemed to be a part of the Report, nor is it to deemed to be "filed" for any purpose whatsoever.

/s/ Joseph P. Pellegrino, Jr.
Joseph P. Pellegrino, Jr.
Chief Financial Officer and Director
(Principal Accounting and Financial Officer)
November 2, 2018