NUVEEN FLOATING RATE INCOME FUND
Form N-Q
December 28, 2018

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED MANAGEMENT INVESTMENT COMPANY

Investment Company Act file number 811-21494

Nuveen Floating Rate Income Fund

(Exact name of registrant as specified in charter)

333 West Wacker Drive, Chicago, Illinois 60606

(Address of principal executive offices) (Zip code)

Gifford R. Zimmerman Vice President and Secretary

333 West Wacker Drive, Chicago, Illinois 60606

(Name and address of agent for service)

Registrant s telephone number, including area code: 312-917-7700

Date of fiscal year end: July 31

Date of reporting period: October 31, 2018

Form N-Q is to be used by management investment companies, other than small business investment companies registered on Form N-5 (§§ 239.24 and 274.5 of this chapter), to file reports with the Commission, not later than 60 days after the close of the first and third fiscal quarters, pursuant to rule 30b1-5 under the Investment Company Act of 1940 (17 CFR 270.30b1-5). The Commission may use the information provided on Form N-Q in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-Q, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-Q unless the Form displays a currently valid Office of Management and Budget (OMB) control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to the Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. § 3507.

Item 1. Schedule of Investments

JFR **Nuveen Floating Rate Income Fund**

Portfolio of Investments October 31, 2018
(Unaudited)

Principal Amount (000)	Description (1)	Coupon (2)	Reference Rate (2)	Spread (2)	Maturity (3)	Ratings (4)	Value
	LONG-TERM INVESTMENTS 156.9% (98.0% of Total Investments)						
	VARIABLE RATE SENIOR LOAN INTERESTS 131.1% (81.8% of Total Investments) (2)						
	Aerospace & Defense 2.5% (1.6% of Total Investments)						
$ 765	Rexnord LLC/ RBS Global, Inc., Term Loan, First Lien	4.295%	1-Month LIBOR	2.000%	8/21/24	BB+	$ 767,286
7,611	Sequa Corporation, Term Loan B	7.408%	3-Month LIBOR	5.000%	11/28/21	B	7,530,142
2,654	Sequa Corporation, Term Loan, Second Lien	11.520%	3-Month LIBOR	9.000%	4/28/22	Caa2	2,610,612
2,899	Transdigm, Inc., Term Loan E	4.802%	1-Month LIBOR	2.500%	5/30/25	Ba2	2,889,694
978	Transdigm, Inc., Term Loan F	4.802%	1-Month LIBOR	2.500%	6/09/23	Ba2	974,551
1,307	Transdigm, Inc., Term Loan G, First Lien	4.802%	1-Month LIBOR	2.500%	8/22/24	Ba2	1,302,618
16,214	Total Aerospace & Defense						16,074,903
	Air Freight & Logistics 0.9% (0.6% of Total Investments)						
2,000	Ceva Group PLC, Term Loan, First Lien	6.136%	3-Month LIBOR	3.750%	8/04/25	BB	2,006,260
1,651	PAE Holding Corporation, Term Loan B	7.886%	3-Month LIBOR	5.500%	10/20/22	B+	1,660,370
2,166	XPO Logistics, Inc., Term Loan B	4.509%	3-Month LIBOR	2.000%	2/24/25	BBB	2,173,743
5,817	Total Air Freight & Logistics						5,840,373
	Airlines 2.3% (1.4% of Total Investments)						
4,056	American Airlines, Inc., Replacement Term Loan	4.277%	1-Month LIBOR	2.000%	10/10/21	BB+	4,055,835
3,354	American Airlines, Inc., Term Loan 2025	4.045%	1-Month LIBOR	1.750%	6/27/25	BB+	3,289,655
7,611	American Airlines, Inc., Term Loan B,	4.280%	1-Month LIBOR	2.000%	12/14/23	BB+	7,571,695

	(DD1)						
15,021	Total Airlines						14,917,185
	Auto Components 0.7% (0.4% of Total Investments)						
1,412	DexKo Global, Inc., Term Loan B	5.802%	1-Month LIBOR	3.500%	7/24/24	B1	1,417,890
1,255	Horizon Global Corporation, Term Loan B	8.302%	1-Month LIBOR	6.000%	6/30/21	B2	1,218,997
1,974	Superior Industries International, Inc., Term Loan B	6.302%	1-Month LIBOR	4.000%	5/22/24	B1	1,969,344
4,641	Total Auto Components						4,606,231
	Automobiles 0.9% (0.6% of Total Investments)						
4,588	Chrysler Group LLC, Term Loan	4.300%	1-Month LIBOR	2.000%	12/31/18	Baa2	4,597,657
1,489	Navistar, Inc., Tranche B, Term Loan	5.780%	1-Month LIBOR	3.500%	11/06/24	Ba3	1,493,708
6,077	Total Automobiles						6,091,365
	Beverages 0.5% (0.3% of Total Investments)						
3,358	Jacobs Douwe Egberts, Term Loan B	4.625%	3-Month LIBOR	2.250%	10/23/25	BB	3,363,019
	Biotechnology 0.8% (0.5% of Total Investments)						
5,418	Grifols, Inc., Term Loan B	4.467%	1-Week LIBOR	2.250%	1/31/25	BB+	5,428,579
	Building Products 1.2% (0.8% of Total Investments)						
769	Fairmount, Initial Term Loan	6.136%	3-Month LIBOR	3.750%	6/01/25	BB	648,031
651	Ply Gem Industries, Inc., Term Loan B	6.175%	3-Month LIBOR	3.750%	4/12/25	B+	649,259
6,561	Quikrete Holdings, Inc., Term Loan B	5.052%	1-Month LIBOR	2.750%	11/15/23	BB	6,544,179
7,981	Total Building Products						7,841,469
	Capital Markets 2.2% (1.4% of Total Investments)						
4,373	Capital Automotive LP, Term Loan, First Lien	4.810%	1-Month LIBOR	2.500%	3/25/24	B1	4,379,133
3,482	Capital Automotive LP, Term Loan, Second Lien	8.302%	1-Month LIBOR	6.000%	3/24/25	B3	3,546,938
6,060	RPI Finance Trust, Term Loan B6	4.386%	3-Month LIBOR	2.000%	3/27/23	BBB	6,072,823
13,915	Total Capital Markets						13,998,894
	Chemicals 1.2% (0.7% of Total Investments)						
1,209	Ineos US Finance LLC, Term Loan	4.302%	1-Month LIBOR	2.000%	4/01/24	BBB	1,208,330

2,319	Mineral Technologies, Inc., Term Loan B2	4.750%	N/A	N/A	5/07/21	BB+	2,327,553
600	SI Group, Term Loan B	7.186%	3-Month LIBOR	4.750%	10/15/25	BB	598,125

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JFR Nuveen Floating Rate Income Fund (continued)
Portfolio of Investments October 31, 2018
(Unaudited)

Principal Amount (000)	Description (1)	Coupon (2)
	Chemicals (continued)	
$ 3,392	Univar, Inc., Term Loan B	4.552%
7,520	Total Chemicals	
	Commercial Services & Supplies 5.5% (3.4% of Total Investments)	
699	ADS Waste Holdings, Inc., Term Loan B	4.460%
3,461	Brand Energy & Infrastructure Services, Inc., Term Loan B, First Lien	6.732%
696	Education Management LLC, Tranche A, Term Loan, (6)	0.000%
1,567	Education Management LLC, Tranche B, Term Loan, (6)	0.000%
7,673	Formula One Group, Term Loan B	4.802%
1,331	Fort Dearborn Holding Company, Inc., Term Loan, First Lien	6.407%
2,375	Getty Images, Inc., Term Loan B, First Lien	5.802%
2,500	GFL Environmental, Term Loan, (WI/DD)	TBD
4,440	iQor US, Inc., Term Loan, First Lien	7.400%
500	iQor US, Inc., Term Loan,	11.148%

	Second Lien	
1,152	KAR Auction Services, Inc., Term Loan B5	4.938%
1,283	LSC Communications, Refinancing Term Loan	7.802%
3,430	Monitronics International, Inc., Term Loan B2, First Lien	7.886%
3,289	Protection One, Inc., Term Loan	5.052%
1,950	Universal Services of America, Initial Term Loan, First Lien	6.136%
1,750	Universal Services of America, Term Loan, Second Lien	10.794%
341	West Corporation, Incremental Term Loan B1	6.026%
38,437	Total Commercial Services & Supplies	
	Communications Equipment 4.2% (2.6% of Total Investments)	
5,558	Avaya, Inc., Tranche B Term Loan	6.530%
1,637	Mitel US Holdings, Inc., Incremental Term Loan	6.052%
1,600	Mitel US Holdings, Inc., Term Loan, First Lien, (DD1)	0.000%
734	MultiPlan, Inc., Term Loan B	5.136%
2,261	Plantronics, Inc., Term Loan, B	4.802%

15,965	Univision Communications, Inc., Term Loan C5	5.052%	and 3.2% for officer grants, based on historical forfeiture experience. The estimated pr

SFAS 123(R) requires the cash flows resulting from the tax benefits resulting from tax deductions in exce

The fair value of stock-based awards to employees and directors is calculated using the Black-Scholes opt

Valuation and Expense Information under SFAS 123(R)

The weighted-average fair value of stock-based compensation is based on the single option valuation appr

Risk-f
Expec
Expec
Expec

The corresponding assumptions for the 2000 Employee Stock Purchase Plan were as follows:

Risk-f
Expec
Expec
Expec

The following table summarizes stock-based compensation expense related to stock options and employee

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Stock-
Cost c
Resea
Sellin
Total

For the three and nine month periods ended September 30, 2006, the amounts of stock-based compensatio

The Company s net loss for the three and nine month periods ended September 30, 2006 was $928,000 ar

A summary of option activity under the Company s stock equity plans during the nine months ended Sep

Options
Outstanding at December 31, 2005
Granted
Exercised
Cancelled
Outstanding at September 30, 2006
Vested or expected to vest at September 30, 2006
Exercisable at September 30, 2006

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The following table summarizes significant ranges of outstanding and exercisable options as of September

Range of Exercise Prices
0.50 - 1.07
1.19 - 1.94
2.02 - 2.52
2.57 - 3.07
3.09 - 3.42
3.43 - 3.92
3.94 - 6.75
8.02 - 34.73

The per share weighted average fair value of options granted during the three months ended September 30

The total intrinsic value of options exercised during the three months ended September 30, 2006 and Septe

As of September 30, 2006, total unrecognized forfeiture adjusted compensation costs related to nonvested

Pro Forma Information Under SFAS 123 for Periods Prior to Fiscal 2006

Prior to fiscal 2006, the weighted-average fair value of stock-based compensation to employees was based

Volati
Risk-f
Expec
Expec

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Pro forma results for the three and nine month periods ended September 30, 2005 are as follows (in thous

Net lo
Add: S
Deduc
Net lo
asic ar
As rep
Pro-fo

4. Net loss per share

Basic earnings per share figures are calculated based on the weighted-average number of common shares

Effect
Option
Warra
Stock
Weigh

5. Inventories

The components of the Company s inventories at September 30, 2006 (unaudited) and December 31, 200

Raw r
Work-
Finish

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6. Property and equipment and related depreciation

The components of the Company s property and equipment and related accumulated depreciation at Sept

Computer equipment and software
Furniture and fixtures
Leasehold improvements
Machinery and equipment
Less: accumulated depreciation and amortization

Depreciation expense was approximately $306,000 and $319,000 for the three month periods ended Septe

7. Intangible assets and related amortization

The Company s intangible assets and related accumulated amortization at September 30, 2006 (unaudited

Capitalized patent defense litigation costs
Capitalized patent license agreements
Loan closing costs
Patent and loan related intangibles
Intangible assets recorded at merger with Horizon:
Customer relationships
Product technology
Trademarks
Acquisition related intangibles

The capitalized patent defense litigation costs relate to the Company s suit against RadioTherapeutics, a c

The capitalized patent license agreements include a license acquired during 2005 from EMcision Limited

Loan closing costs of $127,000 associated with the Company s August 5, 2005 private placement of conv

During the fourth quarter of 2005, the Company performed an analysis of its intangible assets in accordan

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The following table presents details of the amortization expense of intangible assets as reported in the Co

Cost of goods sold
Research and development
Selling, general and administrative
Interest expense

The weighted average remaining life for the intangible assets was approximately 11.3 years at September

Fiscal
2006 (
2007
2008
2009
2010
There
Total

8. Goodwill

The Company s merger with Horizon in fiscal year 2004 resulted in goodwill of $91.3 million, which is t

During the fourth quarter of 2005, due to revised revenue projections of certain of the Company s special

Although the Company s market capitalization was higher than its net book value at October 31, 2005, D

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9. Accrued liabilities

The components of the Company s accrued liabilities as of September 30, 2006 (unaudited) and Decemb

Payroll and related expenses
Accrued vacation
Accrued legal and audit expenses
Accrued property, sales, franchise and income taxes
Accrued patent license cost
Accrued royalties
Accrued interest
Insurance note payable, short term
Deferred revenue
Other accrued liabilities

10. Debt

On August 5, 2005, the Company completed a private placement of subordinated Senior Convertible Note

As of the issuance date of the New Notes, the Company owed $8.3 million plus accrued interest to holder

None of the Company s note agreements are collateralized. The principal covenants of the note agreeme

11. Credit Facility

On January 31, 2006, the Company entered into a Credit Agreement with CapitalSource Finance LLC (C

The amount of principal available for the Company to borrow at any time is limited to the aggregate of (i)

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The obligations under the Credit Agreement are secured by a security interest in substantially all of the tar

The Credit Agreement also includes requirements to maintain financial covenants in order to be eligible to

The Credit Agreement contains affirmative covenants that require the Company to promise, among other t

The Company paid a commitment fee of $140,000, plus legal out-of-pocket costs incurred by CapitalSour

12. Restructuring

The Company accounts for restructuring in accordance with SFAS No. 146, Accounting for Costs Assoc

13. Segment information

The Company separates its portfolio of medical oncology products into two groups, specifically, localized

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Operating segments are defined as components of an enterprise about which separate financial informatio

Sales for the Company s three medical oncology product groups for the three and nine month periods end

Localized therapy products*	
Specialty access catheter products	
Total medical oncology product sales	

* Includes radiofrequency products and embolization proc

Sales for the Company s domestic and international selling regions for the three and nine month periods e

Domestic	
International	
Total medical oncology product sales	

14. Commitments and contingencies

The Company is, and may in the future be, involved in litigation relating to claims arising from the ordina

As of September 30, 2006, the Company had no future minimum payments due under capital leases, but d

The following table sets forth future minimum payments due under operating leases, debt agreements and

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Fiscal year ended December 31,	
2006 (remaining three months)	
2007	
2008	
2009	
2010 and thereafter	
Total of future minimum payments	

The Company s purchase orders for products are based on its current manufacturing needs and are fulfille

15. Comprehensive income (loss)

Comprehensive income (loss) generally represents all changes in stockholders equity except those result

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

This Management s Discussion and Analysis of Financial Condition and Results of Operations and other

Business Overview

We are a diversified medical device oncology company that develops, manufactures and markets innovati

Our goal for the future is to remain a leading provider of minimally invasive medical devices for the treatı

Our efforts to increase our penetration of the liver cancer market have historically centered on investment

Our merger with Horizon in 2004 was intended to leverage our existing sales force and provide an opportu

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market share in our SAC product lines. The Horizon merger, after our consolidation of manufacturing ope

In addition to the product technology asset described above, in 2005 we also impaired merger-related asse

We believe that continual enhancement of our product technology is an important factor in maintaining ou

We must also remain focused on activities that improve our financial results and provide a greater return t

Critical Accounting Policies and Estimates

The preparation of financial statements and related disclosures in conformity with accounting principles g

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For a more detailed description of the application of these and other accounting policies, see Note 2 of the

estimates contained in Management s Discussion and Analysis in our 2005 Form 10-K. During the nine n

Stock-based Compensation Expense

On January 1, 2006, we adopted Statement of Financial Accounting Standards No. 123 (revised 2004), S

Stock-based compensation expense recognized under SFAS 123(R) for the three and nine month periods e

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Results of Operations

The following table sets forth the percentage of net revenue represented by certain items in our Condensed

Domestic sales
International sales
Total sales
Cost of goods sold
- Intangible asset impairment
Gross profit
Operating expenses:
Research and development
Selling, general and administrative
Intangible asset impairment
Total operating expenses
Loss from operations
Interest expense
Interest income and other expense, net
Net loss

Three months ended September 30, 2006 and 2005

The following table provides additional detail on our sales results for the quarters ended September 30, 20

Domestic sales:
Localized therapy products*
Specialty access catheter products
Total domestic sales
International sales:
Localized therapy products*
Specialty access catheter products
Total international sales
Total localized therapy products*
Total specialty access catheter products
Total sales

* Localized therapy products include RF products, consist

For the quarter ended September 30, 2006, sales totaled $12.9 million, an increase of 15% or $1.7 million

Cost of goods sold for the quarter ended September 30, 2006 was $4.6 million, with a gross margin rate of

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improved by $0.1 million because amortization charges were lower than in the 2005 period owing to our 2

Research and development expenses for the quarter ended September 30, 2006 were $1.4 million, compar

Selling, general and administrative expenses for the quarter ended September 30, 2006 were $7.8 million,

Interest expense was $0.2 million for the three months ended September 30, 2006, and was also $0.2 milli

Nine months ended September 30, 2006 and 2005

The following table provides additional detail on our sales results for the nine month periods ended Septer

Domestic sales:
Localized therapy products*
Specialty access catheter products
Total domestic sales
International sales:
Localized therapy products*
Specialty access catheter products
Total international sales
Total localized therapy products*
Total specialty access catheter products
Total sales

* Localized therapy products include RF products, consist

For the nine months ended September 30, 2006, sales totaled $38.2 million, an increase of 11% or $3.9 mi

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Cost of goods sold for the nine months ended September 30, 2006 was $14.3 million, with a gross margin

Research and development expenses for the nine months ended September 30, 2006 were $4.0 million, co

Selling, general and administrative expenses for the nine months ended September 30, 2006 were $23.8 m

Interest expense was $0.5 million for the nine months ended September 30, 2006, compared to $0.7 millio

Liquidity and Capital Resources

Our balance of cash and cash equivalents on September 30, 2006 was $6.4 million. We used $2.7 million

For the nine months ended September 30, 2006, net cash provided by operating activities was $0.9 million

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For the nine months ended September 30, 2006, $1.1 million was used in investing activities. Purchases o

Financing activities for the nine months ended September 30, 2006 provided $1.1 million in cash, reflecti

On January 31, 2006 we entered into a Credit Agreement with CapitalSource, which provides for a revolv

On August 5, 2005, we completed a private placement of subordinated Senior Convertible Notes (the Ne

Prior to August 2000, we financed our operations principally through private placements of convertible pr

As of September 30, 2006, we had no future minimum payments due under capital leases, but we do have

The following table sets forth our future minimum payments due under operating leases, debt agreements

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Fiscal year ended December 31,
2006 (remaining three months)
2007
2008
2009
2010 and thereafter
Total of future minimum payments

Our purchase orders for products are based on our current manufacturing needs and are fulfilled by our ve

Off-Balance Sheet Arrangements

We had no off-balance sheet arrangements as of September 30, 2006.

Recent Accounting Pronouncements

In December 2004, the Financial Accounting Standards Board (FASB) issued Statement of Accounting

In March 2005, the SEC released Staff Accounting Bulletin No. 107 (SAB 107), Share-Based Paymen

In November 2005, the FASB issued FASB Staff Position, or FSP, FAS 115-1 and FAS 124-1, The Mea

In March 2005, the FASB issued FASB Interpretation (FIN) No. 47, Accounting for Conditional Asset R

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In May 2005, the FASB issued SFAS No. 154, Accounting Changes and Error Corrections a replaceme

In June 2005, the Emerging Issues Task Force (EITF) issued a draft abstract for EITF Issue No. 05-6,

In February 2006, the FASB issued a final FSP, FAS 123(R)-4, Classification of Options and Similar Ins

In February 2006, the FASB issued SFAS 155 Accounting for Certain Hybrid Financial Instruments, an

a.

b.

c.

d.

e.

This statement is effective for all financial instruments acquired or issued after the beginning of an entity

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In March 2006, the FASB issued SFAS No. 156, Accounting for Servicing of Financial Assets which a

In July 2006, the FASB issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes

In September 2006, the FASB issued SFAS No. 157 (FAS 157), Fair Value Measurements. Among

In September 2006, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 108,

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We assumed fixed rate borrowings in conjunction with our merger with Horizon. Essentially all of these b

Changes in interest rates will affect the fair market value of this borrowing. Otherwise, our market risk dis

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management is responsible for establishing and maintaining adequate internal control over financial r

Under the supervision and with the participation of our management, including our principal executive off

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Our management s assessment of the effectiveness of our internal control over financial reporting as of D

For the three and nine month periods ended September 30, 2006, the Company has maintained its disclosu

PART II. OTHER INFORMATION

Item 1. Legal Proceedings. Not applicable.

Item 1A. Risk Factors.

There are no material changes to the risk factors described under the title Factors That May Affect Futur

We have added new risk factors entitled:

The new risk factor entitled Our reliance on only one or two suppliers for several of our products or key

Additionally, we believe that the integration of our operations with those of Horizon Medical was essentia

In addition to the other information in this report, the following factors should be considered carefully in e

We are heavily dependent on our RF product line, our line of SAC products and the development a

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financial condition, including recognition of additional asset impairment charges, and could limit ou

The majority of our sales are expected to come from the sale of our RF products and our line of SAC prod

If we become unable to meet customer demand through disruption of manufacturing operations, ou

We have transitioned our California-based manufacturing operations for our RF products to our Manchest

We may need to obtain additional capital to improve our cash liquidity to continue present operatio

We may need to raise additional funds in the future for our business operations and to execute our busines

If we are not successful in developing new radiofrequency and vascular access products, it may nega

We face technical challenges in developing new radiofrequency and vascular access products, obtaining re

We do not have experience as a distributor of LC Beads, and if we are unable to profitably sell LC B

In April 2006, we acquired the rights from Biocompatibles UK Limited to be the exclusive distributor in t

Our reliance on only one or two suppliers for several of our products or key components of our prod

Some of our products or components necessary for the assembly of our products, including the HABIB 4X

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embolization product are currently provided to us by only one or two suppliers. We purchase such product

We are dependent on one third-party contractor for the supply of our HABIB 4X bipolar resection

We are dependent on one supplier to manufacture our HABIB 4X bipolar device. During the quarter end

Our RF and SAC products and the LC Bead product we distribute are subject to product defects, r

Like other medical devices, our RF and SAC products and the LC Bead product we distribute can experie

Any material weaknesses identified in our internal control over financial reporting or disclosure co

For the year ended December 31, 2004, we identified material weaknesses in our procurement process wh

We have limited experience manufacturing our RF and SAC disposable devices in substantial quant

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To be successful, we must manufacture our products in substantial quantities in compliance with regulator

We have a history of losses and may never achieve profitability.

In the nine months ended September 30, 2006, we incurred a net loss of $4.4 million. We incurred net loss

Because we face significant competition from companies with greater resources than we have, we m

The markets for our products are intensely competitive, subject to rapid change and significantly affected

In the market for radiofrequency ablation products, we compete directly with two companies both domest

In the market for specialty access catheters and ports, we compete directly with C.R. Bard Inc, Boston Sci

We are also aware of several companies in international markets that sell products that compete directly w

Alternative therapies could prove to be superior to our RF products or our implantable specialty ac

In addition to competing against other companies offering products that use radiofrequency energy to abla

We currently lack long-term data regarding the safety and efficacy of our RF products and may fin

Our RF products are supported by clinical follow-up data in published clinical reports or scientific present

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retrospective, not randomized, or included small patient populations and because, in certain circumstances

If we are unable to protect our intellectual property rights or if we are found to infringe the rights o

Our success depends significantly on our ability to protect our proprietary rights to the technologies used i

Under certain circumstances these patent applications could result in lawsuits against us. Our pending Uni

In the event a competitor infringes on our patent or other intellectual property rights, enforcing those right

Our dependence on international sales, which account for a significant portion of our total sales, cou

Because our future profitability will depend in part on our ability to increase product sales in international

We are substantially dependent on our Italian distributor and if we lose this distributor, or if this di

We are substantially dependent on M.D.H. s.r.l. Forniture Ospedaliere, our distributor in Italy, which acco

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Our relationships with third-party distributors could negatively affect our sales.

We currently sell our products in selected international markets and some areas of our domestic market th

We are aware that some of our distributors have, in the past, built up inventory of our products. As a resul

We have, in the past, experienced collection difficulties, particularly in our international markets. Althoug

Our business is dependent upon reimbursement from government programs, such as Medicare and

In the United States, our products are purchased primarily by hospitals and medical clinics, which then bil

There can be no assurance that reimbursement for the use of our products will continue at current levels, o

If customers in markets outside the United States experience difficulty obtaining reimbursement for

Certain of the markets outside the United States in which we sell our products require that specific reimbu

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We depend on key employees in a competitive market for skilled personnel and without additional e

We are highly dependent on the principal members of our management team, including our Chief Executi

We are subject to, and may in the future be subject to, costly and time-consuming product liability a

We manufacture medical devices that are used on patients in both minimally invasive and open surgical pr

Any failure in our physician training efforts could result in lower than expected product sales.

It is critical to our sales effort to train a sufficient number of physicians and to instruct them properly in th

We may incur significant costs related to a class action lawsuit due to the likely volatility of our stoc

Our stock price is likely to fluctuate owing to market uncertainty about our ability to successfully increase

Securities class action litigation is often brought against a company after a period of volatility in the mark

Complying with the FDA and other domestic and foreign regulatory authorities is an expensive and

We are subject to a host of federal, state, local and foreign regulations regarding the manufacture and mar

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our products, an injunction, substantial fines and/or criminal charges against our employees and us. The F

Sales of our products outside the United States are subject to foreign regulatory requirements that vary fro

Product introductions or modifications may be delayed or canceled as a result of the FDA regulator

Unless we are exempt, we must obtain the appropriate FDA approval or clearance before we can sell a nev

In addition, modifications to medical device products cleared via the 510(k) process may require a new 51

We may acquire technologies or companies in the future, which could result in the dilution of our st

We are continually evaluating business alliances and external investments in technologies related to our bu

Some or all of these problems may result from future acquisitions or investments. Furthermore, we may n

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Our certificate of incorporation, our bylaws, Delaware law and our stockholder rights plan contain

Provisions of our certificate of incorporation, our bylaws, Delaware law and our stockholder rights plan co

Our executive officers and directors could exert significant influence over matters requiring stockho

Our executive officers and directors, and their respective affiliates, own approximately 4.2% of our outsta

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds. None.

Item 3. Defaults Upon Senior Securities. Not applicable.

Item 4. Submission of Matters to a Vote of Security Holders. Not applicable.

Item 5. Other Information.

Commencing in the third quarter of 2006, the Company began paying its non-employee directors a quarter

Item 6. Exhibits.

(a) Exhibits:

10.102
31.1
31.2
32.1
32.2

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this r

Date: November 7, 2006

10.10
31.1
31.2
32.1
32.2